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APR 29 2014
CONTINUING CARE
CONTRACTS BRANCH

ANNUAL REPORT CHECKLIST
for
FISCAL YEAR ENDED:
2013

PROVIDER: Eskaton
FACILITY(IES): Eskaton Village-Carmichael

CONTACT PERSON: Eduard Boogaard
TELEPHONE NO.: (916) 334-0810

Your complete annual report must consist of **2 copies** of all of the following:

- [x] This cover sheet.
- [x] Annual Provider Fee in the amount of: $ 15,671.00
- [x] Certification by the provider's chief *executive* officer that:
    - The reports are correct to the best of his/her knowledge.
    - Each continuing care contract form in use or offered to new residents has been approved by the Department.
    - The provider is maintaining the required liquid reserve and refund reserve , if applicable.
- [x] Evidence of the provider's fidelity bond.
- [x] The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- [x] The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- [x] The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.

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CERTIFICATION BY CHIEF EXECUTIVE OFFICER

As required by the Continuing Care Contract Statutes, I hereby certify that:

- The annual reserve reports and any amendments thereto are correct to the best of my knowledge.
- Each continuing care contract form in use or offered to new residents has been approved by the Department.
- As of the date of my certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Dated: April 18, 2014

Todd Murch

Todd Murch, Chief Executive Officer

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ALLIED WORLD

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CONTINUING CARE

BP 5-8-13

ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
(A member company of Allied World Assurance Company Holdings, Ltd.)
225 Franklin Street, Boston, MA 02110 · Tel. (857) 288-6000 · Fax (617) 556-8060

FORCEFIELD℠
CRIME INSURANCE POLICY

POLICY NUMBER: 0307-2195 **RENEWAL OF:** 0307-2195

PLEASE READ THE ENTIRE POLICY CAREFULLY AND DISCUSS THE COVERAGE HEREUNDER WITH YOUR INSURANCE BROKER.

DECLARATIONS

ITEM 1. NAMED INSURED: Eskaton

ADDRESS: 5105 Manzanita Avenue
Carmichael, CA 95608

ITEM 2. POLICY PERIOD: Inception Date: January 1, 2013 Expiration Date: January 1, 2014
(12:01 a.m. Standard Time at the address stated in Item 1)

ITEM 3.A. LIMITS OF LIABILITY AND DEDUCTIBLES

Insuring Agreement	Limit of Liability for a Single Loss	Deductible, each Single Loss
Insuring Agreement A "Employee Theft" Coverage	$2,000,000	$25,000
Insuring Agreement B "Forgery or Alteration" Coverage	$2,000,000	$25,000
Insuring Agreement C "Inside the Premises" Coverage	$2,000,000	$25,000
Insuring Agreement D "In Transit" Coverage	$2,000,000	$25,000
Insuring Agreement E "Computer Fraud" Coverage	$2,000,000	$25,000
Insuring Agreement F "Funds Transfer Fraud" Coverage	$2,000,000	$25,000
Insuring Agreement G "Money Orders and Counterfeit Currency Fraud" Coverage	$2,000,000	$25,000
Insuring Agreement H "Credit Card Fraud " Coverage	$2,000,000	$25,000

ITEM 3.B. SUBLIMITS OF LIABILITY

Coverage	Sublimit of Liability
Restoration Expenses	$100,000
Authentication Expenses	$100,000

ITEM 3.C. AGGREGATE LIMIT OF LIABILITY

$100,000 s/b $2mil

will be corrected by West Gwynne

This Aggregate Limit of Liability set forth above is the maximum Limit of Liability of the Insurer for all loss for which coverage is provided under this policy.

ITEM 4. ADDRESS OF INSURER FOR NOTICES UNDER THIS POLICY

A. **Claim-Related Notices:**
ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
ATTN: CLAIMS DEPARTMENT
9 FARM SPRINGS ROAD
FARMINGTON, CT 06032
or
AWACUS.FinancialClaims@awac.com

B. **All Other Notices:**
ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
ATTN: PROFESSIONAL LIABILITY UNDERWRITING
199 WATER STREET
NEW YORK, NY 10038

ITEM 5. PREMIUM

$13,201

In Witness Whereof, the **Insurer** has caused this Policy to be executed and attested. This Policy shall not be valid unless countersigned by a duly authorized representative of the **Insurer**.

President

Secretary

AUTHORIZED REPRESENTATIVE

ENDORSEMENT NO. 1

CALIFORNIA AMENDATORY ENDORSEMENT

This Endorsement, effective at 12:01 a.m. on January 1, 2013, forms part of

Policy No.	0307-2195
Issued to	Eskaton
Issued by	Allied World Assurance Company (U.S.) Inc.

This endorsement modifies insurance coverage provided under the CRIME POLICY.

A. It is understood and agreed that Clause XXIV. CANCELLATION AND TERMINATION is deleted in its entirety and replaced by the following:

XXIV. CANCELLATION AND TERMINATION

A. The **Named Insured** may cancel:

(1) this Policy;

(2) a specific Insuring Agreement under this Policy; or

(3) coverage for an **Insured**;

by mailing or delivering written notice of cancellation to the **Insurer**.

B. The **Insurer** may cancel:

(1) this Policy;

(2) a specific Insuring Agreement under this Policy; or

(3) coverage for an **Insured**;

by mailing or delivering to the **Named Insured** written notice of cancellation at least thirty (30) days before the effective date of cancellation, if the **Insurer** cancels for nonpayment of premium; or sixty (60) days before the effective date of cancellation if the **Insurer** cancels for any other reason.

The **Insurer** will mail or deliver the **Insurer's** notice to the **Named Insured** and to the producer of record at their last known mailing addresses. Notice of cancellation will state the effective date of cancellation and the **Policy Period** will end on such date. If this Policy or an Insuring Agreement is cancelled, the **Insurer** will send the **Named Insured** a premium refund due. If either the **Insurer** or **Insured** cancel this Policy, the refund will be the pro-rata amount of the annualized premium. If notice is mailed, proof of mailing will be sufficient proof of notice.

C. This Policy terminates:

(1) in its entirety, immediately upon expiration of the **Policy Period**;

(2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Policy termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A. (2);

(3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Policy termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A. (2); or

(4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such **Subsidiary**.

B. It is understood and agreed that the following Clauses are added to the Policy:

NONRENEWAL

If the **Insurer** decides not to renew this Policy, the **Insurer** will mail or deliver written notice of nonrenewal to the **Insured** and the producer of record at their last known addresses at least sixty (60) days, but less than one-hundred-twenty (120) days before the expiration date of the Policy. Proof of mailing of any notice shall be sufficient proof of notice.

BANKRUPTCY

The bankruptcy or insolvency of the **Insured** will not relieve the **Insurer** from liability under this Policy.

All other terms, conditions and limitations of this Policy shall remain unchanged.

Authorized Representative

ENDORSEMENT NO. 2

AMEND CANCELLATION AND TERMINATION PROVISION
CORRECT PARAGRAPH REFERENCE

This Endorsement, effective at 12:01 a.m. on January 1, 2013, forms part of

Policy No.	0307-2195
Issued to	Eskaton
Issued by	Allied World Assurance Company (U.S.) Inc.

In consideration of the premium charged, it is hereby agreed that:

Section XXIV. CANCELLATION AND TERMINATION, Subsection C. is deleted in its entirety and replaced with the following:

C. This Coverage Section terminates:
   (1) in its entirety, immediately upon expiration of the **Policy Period**;
   (2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Coverage Section termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A(3);
   (3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Coverage Section termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A(3); or
   (4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such **Subsidiary**.

This endorsement should be read together with any existing State Amendatory terms which also amends the cancellation provision referenced above such that the paragraph reference corrected in this endorsement is effective.

All other terms, conditions and limitations of this Policy shall remain unchanged.

Authorized Representative

BP
2-15

ENDORSEMENT NO. 3

AMEND DECLARATIONS PAGE –
DELETE AND REPLACE ITEM

This Endorsement, effective at 12:01 a.m. on January 1, 2013, forms part of

Policy No.	0307-2195
Issued to	Eskaton
Issued by	Allied World Assurance Company (U.S.) Inc.

In consideration of the premium charged, in connection with all purchased Coverage Sections(s), it is hereby agreed that:

Item 1 of the Declarations is deleted in its entirety and replaced with the following:

ITEM 3.C. Aggregate Limit of Liability

N/A
This aggregate Limit of Liability set forth above is the maximum Limit of Liability of the Insurer for all loss for which coverage is provided under this policy

All other terms, conditions and limitations of this Policy shall remain unchanged.

Authorized Representative

ESK Manu-A

ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.

FORCEFIELD℠
Crime Policy

In consideration of payment of the premium and in reliance upon the statements made to the **Insurer** by application, including its attachments and the material incorporated therein, which shall be deemed to be attached to, incorporated into, and made part of this Policy, and subject to the Declarations and this Policy, the **Named Insured**, on behalf of all **Insureds**, and ALLIED WORLD ASSURANCE COMPANY (U.S.) INC. ("the **Insurer**") agree as follows:

I. **INSURING AGREEMENTS**

Coverage is provided under the following Insurance Agreements, if purchased by the **Insured**, and applies only to loss first **Discovered** during the **Policy Period**, or during any extended period to **Discover** loss in accordance with Section XVI. of this Policy.

A. EMPLOYEE AND FIDUCIARY THEFT OR FORGERY COVERAGE

(1) Employee Theft of Company Property

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of, or for loss from damage to, **Money**, **Securities** and **Property**, resulting directly from **Theft** or **Forgery** committed by an **Employee**, whether identified or not, acting alone or in collusion with other persons.

(2) Employee Theft of Client Property

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of, or for loss from damage to, **Money**, **Securities** and **Property** sustained by an **Insured's Client**, resulting directly from **Theft** or **Forgery** committed by an identified **Employee**.

(3) Fiduciary Theft of Plan Property

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of, or for loss from damage to, **Money**, **Securities** and **Property** that belongs to a **Sponsored Plan**, resulting directly from **Theft** or **Forgery** committed by a **Fiduciary**, whether identified or not, acting alone or in collusion with other persons.

B. FORGERY OR ALTERATION

(1) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from **Forgery** or alteration of, on or in any written **Financial Instruments**, committed by a **Third Party**.

(b) actual destruction or disappearance of **Money** or **Securities**;

while **In Transit**, or while temporarily within the home of an **Employee**.

(2) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from:

(a) damage to **Property** by **Robbery** while **In Transit**; or

(b) loss by the unlawful taking of **Property** temporarily within the home of an **Employee** or a partner of the **Insured**;

committed by a **Third Party**.

E. COMPUTER FRAUD

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for an **Insured's** loss of, or an **Insured's** loss from damage to, **Money**, **Securities** or **Property**, resulting directly from **Computer Fraud** committed by a **Third Party**.

F. FUNDS TRANSFER FRAUD COVERAGE

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of **Money** and **Securities** contained in an **Insured's Transfer Account** on deposit at a financial institution resulting directly from **Funds Transfer Fraud** committed by a **Third Party**.

G. MONEY ORDERS AND COUNTERFEIT CURRENCY FRAUD COVERAGE

The **Insurer** shall reimburse the **Insured**, subject to the Sublimit of Liability set forth in Item 3.A. of the Declarations, for loss sustained by an **Insured** resulting directly from **Money Orders and Counterfeit Currency Fraud** committed by a **Third Party**.

H. CREDIT CARD FRAUD COVERAGE

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss sustained by an **Insured** resulting directly from **Credit Card Fraud** committed by a **Third Party**.

II. RESTORATION EXPENSES

The **Insurer** shall reimburse the **Insured**, subject to the Sublimit of Liability set forth in Item 3.B. of the Declarations, for **Restoration Expenses** that an **Insured** incurs to **Restore** its **Computer System** if damaged or destroyed by a **Computer Violation**. Such damage or destruction must be **Discovered** during the **Policy Period** and resulting directly from a **Computer Violation** which occurs as part of a **Single Loss** which is otherwise covered under Insuring Agreements A. or E. of this Policy.

Reimbursement of **Restoration Expenses** will be made to the **Insured** once all processes have been completed to **Restore** the **Insured's Computer System**, and the **Insured** has provided the **Insurer**, in writing, of a description and accounting of all **Restoration Expenses**, together with such detail as the **Insurer** may require.

III. AUTHENTICATION EXPENSES

The **Insurer** shall reimburse the **Insured**, subject to the Sublimit of Liability set forth in Item 3.B. of the Declarations, for **Authentication Expenses**. The amount of covered loss must exceed the **Single Loss** Deductible amount for the Insuring Agreement that is the subject of the claim under this Policy, in order for **Authentication Expenses** to be subject to reimbursement.

Authentication Expenses which are reimbursable under this Policy are part of and not in addition to the Single Loss Limit of Liability for the Insuring Agreement that is the subject of the claim.

Authentication Expenses are payable to the **Insured** at the same time as the payment of the valid and collectible loss under the Insuring Agreement that is the subject of the claim.

IV. DEFINITIONS

A. "**Authentication Expenses**" means reasonable fees, costs and expenses incurred and paid by the **Insured** to retain outside accountants, attorneys, consultants or experts, retained by the **Insured** to establish the existence and amount of covered loss under any Insuring Agreement of this Policy. **Authentication Expenses** shall not include the **Insured's** internal fees, costs (direct or indirect), obligations or any **Employee's** wages, salaries or benefits.

B. "**Banking Premises**" means the interior portion of a building occupied by, or the night depository chute or safe maintained by any bank, trust company or similar depository institution.

C. "**Client**" means a customer of an **Insured** to whom an **Insured** provides goods or services under a written contract or for a fee.

D. "**Computer Fraud**" means the use of any computer to fraudulently cause a transfer of **Money**, **Securities** or **Property**, from inside the **Premises** or **Banking Premises**:

(1) to a person (other than a **Messenger**) outside the **Premises** or **Banking Premises**; or

(2) to a place outside the **Premises** or **Banking Premises**.

E. "**Computer Program**" means a set of related electronic instructions which direct the operations and functions of a **Computer System**, which enables the **Computer System** to receive, process, store, retrieve, send, create or otherwise act upon **Electronic Data**.

F. "**Computer System**" means a computer, including all input, output, processing, storage and communication equipment which is connected to such computer, and which the operating system or application software used by the **Insured** are under the direct operational control of the **Insured**. Off-line libraries are deemed to be part of such **Computer System**.

G. "**Computer Violation**" means an unauthorized:

(1) entry into or deletion of **Electronic Data** from a **Computer System**;

(2) change to data elements or program logic of a **Computer System**, which is kept in machine readable format; or

(3) introduction of instructions, programmatic or otherwise, which propagate themselves through a **Computer System**;

by a natural person and directed against an **Insured**, designed to damage or destroy a **Computer System**.

H. "**Counterfeit**" means an imitation of **Money** that is intended to deceive and to be taken as genuine.

I. "**Credit Card Fraud**" means the **Forgery** or alteration of, on or in, any written instrument required in connection with any credit card which is issued to any **Employee** of the **Insured** at the request of the **Insured**, other than a credit card issued by any **Insured**.

J. "**Data**" means facts or information contained in records, accounts, microfilms, tapes or other records, whether or not contained in a **Computer System**.

K. "**Discover**," "**Discovers**," "**Discovery**" or "**Discovered**" means the point in time at which knowledge is acquired by an **Executive**, which would cause a reasonable person to believe that a covered loss has been sustained or an event has occurred that may subsequently result in a covered loss, even though the exact amount or details of such loss or event are unknown; provided that it shall not include knowledge acquired by an **Executive**, acting alone or in collusion with an **Employee**, who is a participant in the **Theft** or **Forgery**.

L. "**Electronic Data**" means facts or information converted to a form:

(1) usable in a **Computer System**;

(2) which does not provide instructions or directions to a **Computer System**; and

(3) which is stored on electronic processing media for use by a **Computer Program**.

M. "**Employee**" means any:

(1) natural person regularly performing services for an **Insured** in the ordinary course of such **Insured's** business, who is compensated by the **Insured** directly by salary, wages or commissions, and whose performance is controlled and directed by such **Insured**, including any part-time, seasonal, leased and temporary employee, or volunteer; or

(2) **Executive**, while performing acts within the scope of the usual duties of an employee of the **Insured**.

An **Employee** shall not include an independent contractor.

N. "**Executive**" means any natural person who is a duly elected or appointed director, officer, general counsel, risk manager, partner, general partner, owner (in the case of a sole proprietorship), member of the board of managers or a management committee member of the **Insured**; or any natural person holding a functionally equivalent position in any **Insured** chartered in any other jurisdiction anywhere in the world.

Executive shall also include any **Employee** designated to represent the **Insured** in obtaining or maintaining insurance coverage.

O. "**Fiduciary**" means any natural person who is a trustee, an officer, or an administrator of any **Sponsored Plan**; and any other natural person, including an **Employee** who is authorized to handle **Money**, **Securities** or **Property** that belongs to a **Sponsored Plan**.

P. "**Financial Instrument**" means checks, drafts or similar written promises, orders or directions to pay a sum certain in **Money**, that are made, drawn by or drawn upon an **Insured** or by anyone acting as an **Insured's** agent, or that are purported to have been so made or drawn.

Q. "**Forgery**" means the signing of the name of another natural person with the intent to deceive, but does not mean a signature that includes one's own name, with or without authority, in any capacity for any purpose. Mechanically or electronically produced or reproduced signatures shall be treated as hand-written signatures.

R. "**Funds Transfer Fraud**" means fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions issued to a financial institution directing such institution to transfer, pay or deliver **Money** or **Securities** from any account maintained by the **Insured** at such institution, without the **Insured's** knowledge or consent. **Funds Transfer Fraud** shall not include a **Forgery**.

S. "**Insured**" means:

(1) the **Named Insured**;

(2) any **Subsidiary** of the **Named Insured**; and

(3) solely as it pertains to Insuring Agreement A., a **Sponsored Plan.**

T. "**In Transit**" means being conveyed outside the **Premises**, from one person or place to another, by the **Insured** within the custody of an **Employee** or a partner of the **Insured**, or a person authorized by the **Insured** to have custody of **Money, Securities** or **Property**. **In Transit** ends immediately upon delivery to the designated recipient or its agent.

U. "**Management Control**" means any person, entity or affiliated group of persons or entities with the right to owning interests representing more than fifty percent (50%) of the voting, appointment or designation power for the selection of a majority of: the Board of Directors of a corporation; the Management Committee members of a joint venture; or the members of the Management Board of a limited liability company.

V. "**Messenger**" means any **Executive**, or relative thereof, or any **Employee**, duly authorized, while having care and custody of covered property outside the **Premises.**

W. "**Money**" means currency, coins, bank notes and bullion.

X. "**Money Orders and Counterfeit Currency Fraud**" means the good faith acceptance:

(1) in exchange for merchandise, **Money** or services, of any post office or express money order, issued or purporting to have been issued by any post office or express Insured, if such money order is not paid upon presentation; or

(2) in the regular course of business, of **Counterfeit** United States of America or Canadian paper currency.

Y. "**Named Insured**" means the entity named in Item 1. of the Declarations.

Z. "**Policy Period**" means the period from the Inception Date shown in Item 2. of the Declarations to the earlier of the Expiration Date shown in Item 2. of the Declarations or the effective date of cancellation of this Policy.

AA. "**Premises**" means the interior portion of a building which is occupied by the **Insured** in conducting its business.

BB. "**Property**" means tangible property, other than **Money** or **Securities**, that has intrinsic value.

CC. "**Restore**" means to complete the restoration or reproduction of **Computer Programs** and **Electronic Data** within the **Insured's Computer System**, to bring such **Computer System** back to the level of operational capability that existed immediately preceding a **Computer Violation.**

DD. "**Restoration Expenses**" means reasonable costs incurred by an **Insured** to **Restore** its **Computer System.**

Restoration Expenses do not include:

(1) the **Insured's** internal corporate costs and expenses, including **Employee** remuneration, and any costs related to any legal action;

(2) expenses incurred as a result of the reconstruction of **Computer Programs** and **Electronic Data** recorded on media, including but not limited to magnetic or optical media, if there are no analyses files, specifications or backups of **Computer Programs** or **Electronic Data** held outside the **Premises;**

(3) expenses incurred as a result of the reconstruction of **Computer Programs** and **Electronic Data**, if an **Insured** knowingly used illegal copies of programs;

(4) expenses incurred to render the **Computer Programs** and **Electronic Data** usable by replacement processing equipment;

(5) expenses incurred to design, update or improve **Computer Programs** or **Electronic Data** or to perfect their operation or performance;

(6) expenses incurred as a result of an alteration in **Computer Programs** and **Electronic Data** held on magnetic media due to the effect of magnetic fields, incorrect usage of the **Computer Programs** and **Electronic Data**, or the obsolescence of the **Computer System;**

(7) lost revenue, sales, interest, income or profits; or

(8) expenses incurred by any **Client**.

Restoration Expenses from a **Single Loss** shall include those **Restoration Expenses** incurred by an **Insured** between the time an **Insured** initially **Discovers** the damage or destruction and the time the **Insured's Computer System** is **Restored**. Recurrence of the same or a similar **Computer Violation** after an **Insured's Computer System** has been fully **Restored**, shall constitute a separate **Single Loss**.

Reimbursement of **Restoration Expenses** applies only:

(1) with respect to **Computer Programs** and **Electronic Data** which an **Insured** owns or for which an **Insured** is legally liable; and

(2) if an **Insured** is unable to reproduce such **Computer Programs** or **Electronic Data**, either from back-up data copies or from some other form of back-up technology.

EE. "**Robbery**" means the unlawful taking of **Money, Securities** or **Property** from the custody of an **Employee**, or other person (except a person acting as a watchman, porter or janitor) authorized by the **Insured** to have custody of such **Money, Securities** or **Property**, by violence or threat of violence, committed in the presence and cognizance of such person.

FF. "**Safe Burglary**" means the unlawful taking of **Money, Securities** or **Property** by forcible or violent entry evidenced by visible marks, from a locked vault or safe located within the **Premises.**

GG. "**Securities**" means negotiable and non-negotiable instruments representing either **Money** or **Property**.

HH. "**Single Loss**" means:

(1) with respect to Insuring Agreement A., all loss resulting from:

(a) an individual act;

(b) the combined total of all separate acts, whether or not related; or

(c) a series of acts whether or not related;

committed by the same **Employee**, or the same **Fiduciary** in the case of Insuring Agreement A.(3), acting alone or in collusion with other persons, and regardless of whether or not such act or acts occurred during or before the **Policy Period**;

(2) with respect to all other Insuring Agreements, all loss resulting from:

(a) an individual act or event; or

(b) a series of related acts or events;

committed by the same **Third Party,** acting alone or in collusion with other persons, or in which the same **Third party** is implicated or involved;

whether or not such **Third Party** or **Third Parties** are identified, and regardless of whether or not such act(s) or event(s) occurred during or before the **Policy Period**; and further

with regard to both paragraphs (1) and (2) above, regardless of the amount or number of losses, the number of **Insureds** incurring loss, or the number of **Financial Instruments** or documents or electronic transactions involved over any period of time.

II. "**Sponsored Plan**" means:

(1) an employee welfare benefit plan or an employee pension benefit plan as more fully set forth in Title 1, Section 3 of the Employee Retirement Income Security Act of 1974 and any amendments thereto ("ERISA"), and which is solely sponsored by the **Insured;**

(2) an employee welfare benefit plan or an employee pension benefit plan as more fully set forth in Title 1, Section 3 of ERISA, which is operated solely by the **Insured** or jointly by the **Insured** and a labor organization for the benefit of the **Employees** of the **Insured,** located anywhere in the

world, and which existed on or before the Inception Date of this Policy or which is created or acquired after the Inception Date of this Policy;

(3) any other employee benefit plan or program not subject to Title 1 of ERISA, sponsored solely by the **Insured** for the benefit of the **Employees**, including any excess benefit plan located anywhere in the world and which existed on or before the Inception Date of this Policy or which is created or acquired after the Inception Date of this Policy; or

(4) any other plan, fund, or program specifically included as a **Sponsored Plan** by Endorsement to this Policy.

Sponsored Plan shall not include any multi-employer plan.

JJ. "**Subsidiary**" means:

(1) any for-profit entity, whose securities are not publicly traded, in which the **Insured** has **Management Control** ("Controlled Entity") before the Inception Date set forth in Item 2 of the Declarations;

(2) any for-profit entity, whose securities are not publicly traded, of which the **Insured** acquires **Management Control** during the **Policy Period**, either directly or indirectly through one or more Controlled Entities; or

(3) any not-for-profit entity sponsored exclusively by an **Insured** prior to or during the **Policy Period**.

Coverage afforded under this Policy for loss sustained any **Subsidiary** or any **Subsidiary's Client**, shall only apply to loss sustained after the effective date such entity becomes a **Subsidiary** and prior to the effective date that such entity ceases to be a **Subsidiary**.

KK. "**Theft**" means the unlawful taking of **Money**, **Securities** or **Property** to the deprivation of:

(1) an **Insured**, solely for the purposes of determining coverage under Insuring under Insuring Agreement A.(1);

(2) a **Client**, solely for the purposes of determining coverage under Insuring under Insuring Agreement A.(2); or

(3) a **Sponsored Plan**, solely for the purposes of determining coverage under Insuring Agreement A.(3).

LL. "**Third Party**" means a natural person, other than an **Employee**.

MM. "**Transfer Account**" means an account maintained by an **Insured** at a financial institution from which an **Insured** can initiate the transfer, payment or delivery of **Money** or **Securities**:

(1) by means of electronic, telegraphic, cable, teletype, computer, telefacsimile or telephone instructions communicated directly through an electronic funds transfer system; or

(2) by means of written instructions (other then those described in Insuring Agreement B. establishing the conditions under which such transfers are to be initiated by such financial institution through an electronic funds transfer system.

V. EXCLUSIONS

A. No coverage is afforded under this Policy for loss resulting directly or indirectly from any authorized or unauthorized trading of **Money**, **Securities** or **Property**, whether or not in the name of the **Insured** and whether or not in a genuine or fictitious account; provided however, that this Exclusion shall not apply to loss caused by **Theft** or **Forgery** which results in an improper financial gain to an **Employee**. Such improper financial gain shall not include salary, bonuses, commissions, incentive payments, fees or other compensation, including but not limited to promotions and raises associated with employment, earned time off including vacations, and the costs of any health, welfare, pension or retirement benefits.

B. No coverage is afforded under this Policy for loss resulting directly or indirectly from any fraudulent, dishonest or criminal action committed by an **Insured**, or by an owner if the **Insured** is a sole-proprietorship, a partner if the **Insured** is a partnership, or by a member or manager if the **Insured** is a limited liability company or corporation, whether acting alone or in collusion with others; provided however, that this Exclusion shall not apply to loss otherwise provided under Insuring Agreement A.(2).

C. No coverage is afforded under this Policy for loss resulting directly or indirectly from any fraudulent, dishonest or criminal act by any **Employee** or **Fiduciary**, whether acting alone or in collusion with others, unless otherwise covered under Insuring Agreement A.

D. No coverage is afforded under this Policy for loss sustained by an **Insured's Client** due to **Theft** or **Forgery** committed by an **Employee** acting in collusion with the **Client** or the **Client's** employee.

E. No coverage is afforded under this Policy for loss resulting directly or indirectly from the unauthorized use or disclosure of trade secrets, patents or other intellectual property, confidential processing methods, customer lists, or other confidential information of any kind; provided however, that this Exclusion does not apply to loss otherwise covered under Insuring Agreements A. or E.

F. No coverage is afforded under this Policy for loss due to **Theft** or **Forgery** committed by, an owner if the **Insured** is a sole-proprietorship, a partner if the **Insured** is a partnership, or by a member or manager if the **Insured** is a limited liability company or corporation, whether acting alone or in collusion with others.

G. No coverage is afforded under this Policy for loss resulting directly or indirectly from declared or undeclared war, civil war, insurrection, rebellion or revolution, military, naval or usurped power, governmental intervention, expropriation or nationalization, or any act or condition incident to any of the foregoing.

H. No coverage is afforded under this Policy for loss of income, whether or not earned or accrued, including interest and dividends, not realized as the result of a loss covered under this Policy.

I. No coverage is afforded under this Policy for indirect or consequential loss of any kind, provided however, that this Exclusion shall not apply to otherwise covered **Authentication Expenses** under Section III. or **Restoration Expenses** under Section II.

J. No coverage is afforded under this Policy for fines or penalties, or for multiplied or punitive damages.

K. No coverage is afforded under this Policy for expenses incurred:

(1) as a result of the reconstitution of **Data** if the **Insured** knowingly used or uses illegal copies of programs;

(2) to render the **Data** usable by replacement processing equipment;

(3) to design, update or improve software or programs or to perfect their operation or performance; or

(4) as a result of an alteration in **Data** held on magnetic media due to the effect of magnetic fields, their incorrect use or the obsolescence of the **Computer System**.

L. No coverage is afforded under this Policy for loss caused by an **Employee**, which is sustained by an **Insured** after any other **Employee** with managerial or supervisory responsibility, or an **Executive**, not in collusion with the **Employee** becomes aware of a **Theft**, **Forgery**, or other fraudulent or dishonest act committed by such **Employee** while employed with the **Insured** or prior to the inception of the **Employee's** employment with the **Insured**, involving **Money**, **Securities** or **Property** in an amount in excess of one-thousand dollars ($1,000).

M. No coverage is afforded under this Policy for loss resulting directly or indirectly from fire; provided however, that this Exclusion shall not apply to:

(1) loss of **Money** or **Securities**; or

(2) damage to any safe or vault caused by the application of fire thereto for the purposes of **Safe Burglary**.

N. No coverage is afforded under this Policy for fees, costs or expenses incurred or paid by the **Insured** in defending or prosecuting any legal proceeding or claim; provided however, that this Exclusion shall not apply to the coverage provided under Insuring Agreement B.(2).

O. No coverage is afforded under this Policy for loss due to the **Insured** knowingly having given or surrendered **Money, Securities** or **Property** in any exchange or purchase with a **Third Party** not in collusion with an **Employee**; provided however, that this Exclusion shall not apply to **Money Orders** and **Counterfeit Currency Fraud.**

P. No coverage is afforded under this Policy for loss sustained by one **Insured** to the advantage of any other **Insured,** other than a **Sponsored Plan.**

Q. No coverage is afforded under this Policy for loss of or damage to **Money, Securities** or **Property** while in the custody of any bank, trust company, similar recognized place of safe deposit, armored motor vehicle company or any person who is duly authorized by the **Insured** to have custody of the property; provided however, that this Exclusion shall not apply to the extent that coverage under this Policy is excess of the amount recovered or received by the **Insured** under:

(1) the **Insured's** contract, if any, with, or insurance carried by, any of the foregoing; or

(2) any other insurance or indemnity in force which would cover the loss in whole or in part.

R. No coverage is afforded under this Policy for loss due to the unlawful taking of **Money, Securities** or **Property**, or due to **Computer Fraud** or any other fraudulent, dishonest or criminal act (other than **Robbery** or **Safe Burglary**), by any representative of the **Insured** other than an **Employee**, provided that such representative is not acting in collusion with any **Employee.**

S. No coverage is afforded under Insuring Agreement A. for loss resulting directly or indirectly caused by any broker, factor, commission merchant, consignee, contractor, independent contractor or other agent or representative of the same general character, of the **Insured.**

T. No coverage is afforded under Insuring Agreements C. or D. for:

(1) loss due to **Forgery, Computer Fraud** or **Funds Transfer Fraud**; or

(2) loss of or damage to **Money, Securities** or **Property** while in the mail or in the custody of a carrier for hire, other than an armored motor vehicle company.

U. No coverage is afforded under Insuring Agreements A., D., E. or F.for loss of or damage to **Money, Securities** or **Property** as a result of a kidnap, ransom or other extortion payment (as distinct from **Robbery**) surrendered to any person as a result of a threat to do bodily harm to any person or a threat to do damage to the **Premises** or **Property.**

V. No coverage is afforded under Insuring Agreement B. for loss due to **Forgery** or alteration of:

(1) any **Financial Instrument** committed by any **Third Party** in collusion with any **Employee**; or

(2) any registered or coupon obligations issued or purported to have been issued by the **Insured**, or any coupons whether attached or detached.

W. No coverage is afforded under Insuring Agreement H. for loss caused by any forgery or alteration of, on or in any written instrument; provided that this Exclusion shall not apply if:

(1) the provisions, conditions and other terms under which the involved credit card was issued were fully complied with; and

(2) the **Insured** is legally liable to the issuer of such credit card for such loss.

X. No coverage is afforded under this Policy for any loss that the **Insured** is aware of prior to the Inception Date of this Policy.

Y. No coverage is afforded under this Policy for loss sustained by the **Insured** prior to the termination of this Policy unless such loss is first **Discovered** during the **Policy Period** and the **Insured** provides written notice thereof to the **Insurer** within the time limitations provided in Sections XI. or XVI. of this Policy.

Z. No coverage is afforded under this Policy for loss, or that portion of any loss, sustained by the **Insured** which results from an unexplained inventory shortage, including loss, the proof of which its existence or amount is dependent upon an inventory computation or a profit and loss computation. Provided however, that if the **Insured** can establish, wholly apart from such computations, that it has sustained a loss, then the **Insured** may offer its inventory records and actual physical count of inventory in support of the amount of loss claimed.

VI. OWNERSHIP

A. The **Insurer's** liability under this Policy will apply only to the **Money**, **Securities** or **Property** owned by the **Insured** or for which the **Insured** is legally liable, or held by the **Insured** in any capacity whether or not the **Insured** is liable; provided that:

(1) the **Insurer** will not be liable for damage to the **Premises** unless the **Insured** is the owner of the **Premises** or is liable for such damage; or

(2) except solely with respect to Insuring Agreement A.(2), the **Insurer's** liability will not apply to **Money**, **Securities** or **Property** of a **Client**.

B. For the purposes of Insuring Agreement A.(2), the **Insurer's** liability under this Policy will apply only to the **Money**, **Securities** or **Property** of a **Client**, which is held by the **Insured** in any capacity or for which the **Insured** is legally liable.

XI. PROOF OF LOSS AND LEGAL PROCEEDINGS

(A) It is a condition precedent to coverage hereunder that, upon **Discovery**, the **Insured** shall:

(1) provide written notice to the **Insurer** as soon as practicable and in no event later than ninety (90) days after such **Discovery**;

(2) furnish sworn Proof of Loss with full particulars to the **Insurer** within six (6) months of such **Discovery**, including:

(a) production of all relevant records and documents as the **Insurer** shall request; and

(b) submit to examination under oath at the **Insurer's** request; and

(3) cooperate completely with the **Insurer** in all matters pertaining to the claim.

(B) The **Insured** may offer a comparison between the **Insured's** inventory records and actual physical count of its inventory to prove the amount of loss, but only where the **Insured** establishes wholly apart from such comparison that it has sustained a covered loss, caused by an identified **Employee**.

XII. VALUATION AND FOREIGN CURRENCY

The **Insurer** shall reimburse:

A. loss of **Money** but only up to and including its face value, and at the **Insured's** option, reimburse for loss of **Money** issued by any country other the United States of America:

(1) at face value in the **Money** issued by that country; or

(2) in the United States of America equivalent determined by the rate of exchange published in the Wall Street Journal on the day the loss was **Discovered**.

B. loss of **Securities** but only up to and including their value at the close of business on the day the loss was **Discovered**. The **Insurer** may, at the **Insurer's** option:

(1) reimburse the market value of such **Securities** or replace them in kind, in which event the **Insured** must assign to the **Insurer** all the **Insured's** rights, title and interest in and to those **Securities**; or

(2) reimburse the cost of any Lost Securities Bond required in connection with issuing duplicates of the **Securities**. However, the **Insurer** will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the value of the **Securities** at the close of business on the day the loss was **Discovered**.

C. loss of, or loss from damage to, **Property** or **Premises** including its exterior for the replacement cost without deduction for depreciation; provided the **Insurer** will not reimburse more than the least of the following:

(1) the cost to replace the lost or damaged **Property** with **Property** of comparable material and quality and used for the same purpose;

(2) the amount the **Insured** must actually spend that is necessary to repair or replace the lost or damaged **Property**; or

(3) the **Single Loss** Limit of Liability applicable to the lost or damaged **Property**.

The **Insurer** will not reimburse the **Insured** on a replacement cost basis for any loss or damage until such **Property** is actually repaired or replaced, and unless the repairs or replacement are made as soon as reasonably possible after the loss or damage. If the lost or damaged **Property** is not repaired or replaced, the **Insurer** will reimburse the **Insured** the actual cash value of the **Property** on the day the loss was **Discovered**.

XIII. OTHER INSURANCE

If the **Insured** or any other party in interest in any loss covered by this Policy has any bond, indemnity or other insurance which would cover such loss in whole or in part in the absence of this Policy, then this Policy shall be null and void to the extent of the amount recoverable or received under such other bond, indemnity, or insurance; but this Policy shall cover such loss, subject to its exclusions, conditions and other terms, only to the extent of the amount of such loss in excess of the amount recoverable or received under such other bond, indemnity or insurance.

XIV. ORGANIZATIONAL CHANGES

If during the **Policy Period** the **Insured** shall consolidate with, merge into, purchase, or acquire the assets or liabilities of another entity, this Policy will provide coverage for that merged, purchased or acquired entity, subject to all other terms and conditions herein, but only for loss **Discovered** by an **Insured** after the effective date of such merger, purchase, or acquisition; provided that the **Insured** provides written notice of such merger, purchase, or acquisition to the Insurer with full particulars of such merger, purchase, or acquisition, within ninety (90) days after the effective date of such merger, purchase, or acquisition. Coverage for the merged, purchased, or acquired entity shall not be afforded following such ninety (90) day period unless the **Insurer** agrees to provide such coverage, subject to any additional terms and conditions and any additional premium that may be required by the **Insurer**. Any **Sponsored Plan** acquired as above shall be included as an **Insured**.

The ninety (90) day notice requirement shall be waived subject to the following:

A. the assets of the merged, purchased, or acquired entity do no exceed forty percent (40%) of the total assets of the **Insured** as of one (1) day prior to the effective date of the transaction; or duties as the deceased **Insured's** legal representative. Until a legal representative is appointed, anyone having proper temporary custody of the decedent's property will have all rights and duties but only with respect to that property.

XIX. RECORDS

The **Insured** must keep records of all **Money, Securities,** and **Property** under this Policy so the **Insurer** can verify the amount of any loss.

XX. RECOVERIES

A. All recoveries for payments made under this Policy, whether made by the **Insurer** or the **Insured,** shall be applied net of the expense of such recovery:

(1) first, to the **Insured** in satisfaction of the **Insured's** covered loss in excess of the amount paid under this Policy;

(2) second, to the **Insurer** in satisfaction of amounts paid in settlement of the **Insured's** claim;

(3) third, to the **Insured** in satisfaction of any Deductible; and

(4) fourth, to the **Insured** in satisfaction of any loss not covered under this Policy.

B. Recoveries do not include any recovery:

(1) for insurance, suretyship, reinsurance, security or indemnity taken for the **Insurer's** benefit; or

(2) of original **Securities** after duplicates of them have been issued.

XXI. TRANSFER OF INSURED'S RIGHTS OF RECOVERY AGAINST OTHERS TO INSURER

The **Insured** must transfer to the **Insurer** all the **Insured's** rights of recovery against any person or organization for any loss the **Insured** sustained and for which the **Insurer** has paid or settled. The **Insured** must also do everything necessary to secure those rights and do nothing after the loss to impair them.

XXII. ACTION AGAINST INSURER

A. The **Insured** may not bring any legal action against the **Insurer** involving loss:

(1) unless the **Insured** has complied with all the terms of this Policy;

(2) until ninety (90) days after the **Insured** has filed Proof of Loss with the **Insurer**; and

(3) unless brought within two (2) years from the date the **Insured** **Discovered** the loss.

B. The **Insured** may not bring any legal action against the **Insurer** to recover a judgment or settlement against it or its bank resulting from **Forgery** or related legal expenses as set forth in Insuring Agreement B.(2), unless brought within two (2) years from the date upon which such judgment shall become final or upon which such settlement was entered into.

If any limitation in this Condition is deemed to be inconsistent with the state law, such limitation is amended so as to equal the minimum period of limitation provided by such law.

XXIII. LIBERALIZATION

In the event the **Insurer** introduces a new Crime Policy during the **Policy Period**, then the **Named Insured** shall have the right to any broader coverage available under such new Policy, if allowed by law, as of the date that such new Policy is made available to all insureds, but only with respect to loss **Discovered** and/or claims reported to the **Insurer** after such date.

XXIV. CANCELLATION AND TERMINATION

A. The **Named Insured** may cancel:

(1) this Policy;

(2) a specific Insuring Agreement under this Policy; or

(3) coverage for an **Insured**;

by mailing or delivering written notice of cancellation to the **Insurer**.

B. The **Insurer** may cancel:

(1) this Policy;

(2) a specific Insuring Agreement under this Policy; or

(3) coverage for an **Insured**;

by mailing or delivering to the **Named Insured** written notice of cancellation at least twenty (20) days before the effective date of cancelation, if the **Insurer** cancels for nonpayment of premium; or sixty (60) days before the effective date of cancellation if the **Insurer** cancels for any other reason.

The **Insurer** will mail or deliver the **Insurer's** notice to the **Named Insured's** last known mailing address. Notice of cancellation will state the effective date of cancellation and the **Policy Period** will end on such date. If this Policy or an Insuring Agreement is cancelled, the **Insurer** will send the **Named Insured** a premium refund due. If either the **Insurer** or **Insured** cancel this Policy, the refund will be the pro-rata amount of the annualized premium. If notice is mailed, proof of mailing will be sufficient proof of notice.

C. This Policy terminates:

(1) in its entirety, immediately upon expiration of the **Policy Period;**

(2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Policy termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A.(2);

(3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Policy termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A.(2); or

(4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such **Subsidiary.**

XXV. CHANGES

This Policy contains all the agreements between the **Insured** and the **Insurer** concerning the insurance afforded. The **Named Insured** shown on the Declarations is authorized to make changes to the terms of this Policy with the **Insurer's** consent. This Policy's terms can be amended or waived only by endorsement issued by the **Insurer** and made a part of this Policy.

XXVI. HEADINGS

The descriptions in the headings and any subheading of this Policy, including any titles given to any endorsement attached hereto, are inserted solely for convenience and do not constitute any part of this Policy's terms or conditions.

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Eskaton and Subsidiaries

December 31, 2013 and 2012

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Eskaton and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eskaton and Subsidiaries (the "Organization"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012; and the related consolidated statements of operations and changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eskaton and Subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules as of and for the year ended December 31, 2013, for Eskaton and Subsidiaries, Eskaton Properties, Inc., and Eskaton, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information – social responsibility for the years ended December 31, 2013 and 2012, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 24, 2014

CONSOLIDATED FINANCIAL STATEMENTS

ESKATON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012
(in thousands)

Assets	**2013**	**2012**
Current assets:		
Cash and cash equivalents	$ 10,055	$ 7,703
Assets limited as to use	4,818	8,072
Investments	49,717	46,179
Accounts receivable, net of allowance for uncollectible accounts of $259 in 2013 and $260 in 2012	8,362	8,334
Other receivables	4,171	3,978
Inventories	180	217
Deposits and prepaid expenses	781	1,143
Total current assets	78,084	75,626
Assets limited as to use, net of amount required for current liabilities	9,236	7,265
Investments	1,268	1,421
Property and equipment, net	115,403	114,379
Other assets:		
Land available for sale	1,050	1,050
Due from liability insurer	1,679	1,629
Deferred financing costs, net	2,835	1,930
Associate member/resident/patient deposits	4,094	4,596
Other	1,465	1,394
	11,123	10,599
Total assets	$ 215,114	$ 209,290

See accompanying notes.

(in thousands)

Liabilities and Net Assets (Deficit)	**2013**	**2012**
Current liabilities:		
Current maturities of long-term debt	$ 4,449	$ 6,878
Current portion of deferred revenue from unamortized CCRC membership fees	2,132	2,132
Deposits on unoccupied CCRC units	365	241
Accounts payable	1,843	1,601
Accrued liabilities:		
Payroll and payroll taxes	2,465	1,776
Vacation	1,673	1,633
Current portion of self-insured workers' compensation	2,690	2,871
Self-insured employee health plan	1,372	1,298
Interest	735	529
Other	988	1,047
Total current liabilities	18,712	20,006
Other liabilities:		
Self-insured workers' compensation, net of current portion	6,476	5,026
Interest rate swap agreements	5,306	18,734
Unfunded pension obligation	2,045	6,481
Professional liability	3,014	2,963
Associate member/resident/patient deposits	4,094	4,596
Other	285	243
	21,220	38,043
Long-term debt, net of current maturities	153,845	144,150
Deferred revenue from unamortized CCRC membership fees, net of current portion	13,876	15,455
Total liabilities	207,653	217,654
Net assets (deficit):		
Unrestricted net assets (deficit)	5,925	(9,744)
Temporarily restricted net assets	1,003	853
Permanently restricted net assets	533	527
Total net assets (deficit)	7,461	(8,364)
Total liabilities and net assets (deficit)	$ 215,114	$ 209,290

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Years Ended December 31, 2013 and 2012
(in thousands)

	2013	2012
Unrestricted net assets (deficit):		
Revenues, gains, and other support:		
Net patient service revenue	$ 47,991	$ 48,899
Resident service revenue, including amortization of CCRC membership fees of $1,567 in 2013 and $2,132 in 2012	58,402	55,635
Other, net	7,961	8,912
Total revenues, gains, and other support	114,354	113,446
Expenses:		
Salaries and wages	49,333	47,544
Employee benefits	16,831	19,425
Professional fees	1,189	1,651
Supplies	5,132	4,966
Purchased services	7,256	6,642
Ancillary costs	3,211	2,951
Utilities	4,188	4,182
Insurance and other	7,457	7,128
Depreciation	9,022	9,141
Interest and amortization	5,174	4,398
Provision for uncollectible accounts	420	231
Total operating expenses	109,213	108,259
Income from operations	5,141	5,187
Nonoperating revenue (expenses):		
Investment income	5,724	4,961
Interest rate swap activities	1,780	(2,629)
Loss on early repayment of debt	(172)	(145)
Other	(190)	(53)
Total nonoperating revenue (expenses), net	7,142	2,134
Excess of revenues, gains, and other support over expenses	12,283	7,321

See accompanying notes.

(in thousands)

	2013	2012
Excess of revenues, gains, and other support over expenses (page 5)	$ 12,283	$ 7,321
Pension related changes other than net periodic pension cost	3,386	758
Change in unrestricted net assets (deficit)	15,669	8,079
Unrestricted net deficit, beginning of year	(9,744)	(17,823)
Unrestricted net assets (deficit), end of year	$ 5,925	$ (9,744)
Temporarily restricted net assets:		
Contributions	$ 354	$ 849
Investment income	135	48
Net assets released from restriction used for operations	(339)	(324)
Change in temporarily restricted net assets	150	573
Temporarily restricted net assets, beginning of year	853	280
Temporarily restricted net assets, end of year	$ 1,003	$ 853
Permanently restricted net assets:		
Contributions of endowments	$ 5	$ 14
Change in assets held in trust by others	1	3
Change in permanently restricted net assets	6	17
Permanently restricted net assets, beginning of year	527	510
Permanently restricted net assets, end of year	$ 533	$ 527
Change in net assets (deficit)	$ 15,825	$ 8,669
Net assets (deficit), beginning of year	(8,364)	(17,033)
Net assets (deficit), end of year	$ 7,461	$ (8,364)

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012
(in thousands)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 15,825	$ 8,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,022	9,141
Amortization of deferred financing costs	331	461
Amortization of CCRC membership fees	(1,567)	(2,132)
Net realized and unrealized (gains) losses on assets limited as to use	69	(61)
Net realized and unrealized gains on investments	(5,603)	(4,011)
Pension related changes other than net periodic pension cost	(3,386)	(758)
Change in fair value of interest rate swap agreements	(3,712)	(257)
Provision for uncollectible accounts	420	231
Proceeds from permanently restricted contributions	(5)	(14)
Loss on early repayment of debt	172	145
CCRC resale proceeds	6,263	4,307
Loss on disposal of property and equipment	155	12
Changes in operating assets and liabilities:		
Change in receivables	(641)	(4,482)
Change in inventories	37	4
Change in deposits and prepaid expenses	363	(436)
Change in other assets	381	912
Change in accounts payable	242	(266)
Change in accrued liabilities	2,219	1,877
Change in unfunded pension obligation	(1,050)	750
Change in other liabilities	(409)	(315)
Net cash provided by operating activities	19,126	13,777
Cash flows from investing activities:		
Purchases of assets limited as to use	(89,198)	(148,890)
Proceeds from sales of assets limited as to use	90,412	146,312
Purchases of investments	(798)	(1,551)
Proceeds from sales of investments	3,016	1,000
Investment in housing joint venture	-	(600)
Expenditures for property and equipment	(10,201)	(5,636)
Payments received on notes receivable	-	274
Net cash used in investing activities	(6,769)	(9,091)

See accompanying notes.

(in thousands)

	2013	2012
Cash flows from financing activities:		
CCRC resale disbursements	$ (6,275)	$ (4,307)
Change in deposits on unoccupied CCRC units	123	80
Proceeds from permanently restricted contributions	5	14
Proceeds from long-term borrowing	66,839	48,866
Principal payments on long-term debt	(59,573)	(49,569)
Debt issuance costs	(1,408)	(1,609)
Payments on settlement of terminated swaps	(9,716)	(7,277)
Net cash used in financing activities	(10,005)	(13,802)
Net increase (decrease) in cash and cash equivalents	2,352	(9,116)
Cash and cash equivalents, beginning of year	7,703	16,819
Cash and cash equivalents, end of year	$ 10,055	$ 7,703
Supplemental disclosure:		
Cash paid for interest	$ 4,957	$ 3,757

See accompanying notes.

NOTE 1 – ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of Eskaton and Subsidiaries include the following:

Eskaton – Eskaton is a not-for-profit 501(c)(3) California corporation, which was formed in 1967. Eskaton's primary mission is to enhance the quality of life of seniors through innovative health, housing, and social services. Eskaton is the sole corporate member of Eskaton Properties, Inc. (EPI), Eskaton Gold River Lodge (EGRL), Eskaton Village-Grass Valley (EVGV), Eskaton Village-Roseville (EVR), Eskaton Village-Placerville (EVP), Eskaton FountainWood Lodge (EFWL), and Eskaton Foundation, and the sole stockholder of Livable Design (LD) and California Healthcare Consultants (CHC). Eskaton also operates adult day healthcare services and various community service programs.

EPI – EPI is a not-for-profit 501(c)(3) California corporation that operates skilled nursing care centers and retirement housing communities, home health services, a continuing care retirement community, a certification program for home designs for older adults sold to various home builders, a membership program that provide services to older adults in their homes, and a business services group which provides financial and managerial support to all Eskaton operations. EPI also manages retirement housing communities owned by third parties and affordable housing communities that operate as single purpose not-for-profit 501(c)(3) California corporations.

EGRL – EGRL is a not-for-profit 501(c)(3) California corporation that operates a 95-apartment assisted living community in Gold River, California.

EVGV – EVGV is a not-for-profit 501(c)(3) California corporation that operates a 57-apartment assisted living and 80-apartment independent living with services community in Grass Valley, California.

EVR – EVR is a not-for-profit 501(c)(3) California corporation that operates a 96-apartment assisted living community in Roseville, California.

EVP – EVP is a not-for-profit 501(c)(3) California corporation that operates a 64-apartment assisted living community in Placerville, California.

EFWL – EFWL is a not-for-profit 501(c)(3) California corporation that operates a 92-apartment assisted living community in Orangevale, California.

Eskaton Foundation – Eskaton Foundation is a not-for-profit 501(c)(3) California corporation whose purpose is to raise funds for the benefit of Eskaton programs.

LD – LD, a C-corporation, is a taxable subsidiary of Eskaton, and owns a home used to demonstrate livable design concepts to the general public.

CHC – CHC, a C-corporation, is a taxable subsidiary of Eskaton that leases employees to communities owned by third parties and managed by EPI.

All material intercompany accounts and transactions have been eliminated in consolidation.

EPI, EGRL, EVGV, and EVR are members of the Eskaton Properties Incorporated Obligated Group (the Obligated Group) according to a Master Indenture of Trust dated July 1, 1999, and various Supplemental Master Indentures dated subsequent to July 1, 1999 (together, the Master Indenture). EVR was added to the Obligated Group effective June 28, 2012. Under the terms of the Master Indenture, members of the Obligated Group are jointly and severally liable for bonds issued pursuant to the Master Indenture.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents – Cash and cash equivalents include cash in bank and short-term money market accounts. The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Management has elected to carry alternative investments under the fair value option. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues, gains, and other support over expenses.

Assets limited as to use – Assets limited as to use include assets held by trustees or lenders under bond indenture and HUD regulatory agreements and assets restricted by donors for financial assistance to residents of Eskaton communities. Assets limited as to use are reported at fair value.

Property and equipment – Property and equipment are stated at cost. Interest capitalized (net of investment income from bond proceeds) in connection with the construction of plant and equipment is recorded as part of the cost of the constructed asset to which it relates and is amortized over the asset's useful life. Depreciation is computed using the straight-line method based on estimated useful lives of property and equipment as follows:

Land improvements	10 to 20 years
Buildings and improvements	15 to 40 years
Equipment	5 to 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as net assets released from restriction when the donated or acquired long-lived assets are placed in service.

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2013 and 2012, land available for sale was recorded in the consolidated balance sheets at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and were therefore classified within Level 3 of the valuation hierarchy.

There was no activity or adjustments to the land available for sale during the years ended December 31, 2013 and 2012.

Continuing Care Retirement Community (CCRC) membership fees – Eskaton owns and operates a CCRC known as Eskaton Village Carmichael (EVC) located on 37 acres in Carmichael, California. EVC membership fees, which were paid by the initial resident of each housing unit upon entering into a resalable continuing care contract, were recorded as deferred revenue. Such deferred revenue is amortized to income using the straight-line method over the estimated remaining life of the facility. Eskaton's share of appreciation in excess of the original membership fee amount earned upon the resale of a membership from one resident to another qualified individual is recorded as deferred revenue and is amortized to income using the straight-line method over the estimated remaining life of the facility. Transfer fees earned upon the resale of a membership are recorded as revenue in the period earned.

During 2012, Eskaton introduced membership contracts with refundable membership fees that are amortized on a straight-line basis over the five-year refundable period. Unamortized refundable membership fees totaled $1,016,000 and $460,000 as of December 31, 2013 and 2012, respectively.

Self-insured employee health and workers' compensation – The provisions for estimated self-insured employee health and workers' compensation include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Derivative instruments – Eskaton has entered into various swap agreements to manage interest rate risk on its bonds. Swaps are contracts to exchange, for a period of time, the investment performance of one underlying instrument for the investment performance of another instrument without exchanging the instruments themselves. Eskaton entered into these agreements to mitigate cash flow and fair value risks related to changes in interest rates.

Eskaton records in its consolidated balance sheets the estimated fair value of swaps at the balance sheet date. Because the derivatives have not been designated as hedges for accounting purposes, changes in the fair value of swaps are included in nonoperating revenue (expenses), net in the consolidated statements of operations and changes in net assets (deficit).

Deferred financing costs – Deferred financing costs are amortized over the period the obligation is expected to be outstanding or the life of bank direct placement agreements associated with variable rate demand bonds, whichever is shorter. Amortization is calculated using the straight-line method, which is not materially different from using the effective interest method. Amortization of deferred financing costs is included as a component of interest expense.

Obligation to provide future services – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the CCRC to be provided to current residents and compares the amount with the balance of deferred revenue from unamortized CCRC membership fees. If the present value of the net cost of future services and use of the CCRC exceeds the deferred revenue from unamortized CCRC membership fees, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2013 or 2012.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by Eskaton has been limited by donors for a specific time period or purpose.

Permanently restricted net assets – Permanently restricted net assets are those whose use by Eskaton has been restricted by donors to be maintained by Eskaton in perpetuity. The Board of Directors has interpreted California's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, Eskaton classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit Eskaton to use all or part of the investment return on these assets and the donor agreements allow Eskaton to appropriate for distribution each year 5 percent of its endowment fund's prior year average fair value. Unrealized gains and investment income allocated to the permanently restricted fund are classified as temporarily restricted net assets, as supported by the associated agreements, until those amounts are appropriated for expenditure by Eskaton in a manner consistent with the standard of prudence prescribed by UPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce unrestricted net assets.

Net patient service revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Resident service revenue – Residential units are charged a monthly accommodation fee. Additional fees are charged for services rendered in the assisted living and skilled nursing care centers, of which a portion may be defrayed by coverage under a long-term care group insurance policy.

Donated services and materials – A number of volunteers donate significant amounts of time to advance Eskaton's program objectives. No amounts are reported in the accompanying consolidated financial statements for donated services since no objective basis is available to measure the value of such services.

Eskaton records the donation of materials when an objective basis is available to measure the value of those donations and when the materials would be purchased if they were not donated. These amounts are recorded as contribution revenues and as expenses.

Excess of revenues, gains, and other support over expenses – The consolidated statements of operations and changes in net assets (deficit) include excess of revenues, gains, and other support over expenses. Changes in unrestricted net assets (deficit), which are excluded from excess of revenues, gains, and other support over expenses, include pension related changes other than net periodic pension cost.

Advertising – Advertising costs are expensed as incurred and included in purchased services expenses. Advertising expense was $846,000 and $530,000 for the years ended December 31, 2013 and 2012, respectively.

Income taxes – Eskaton, EPI, EGRL, EVGV, EVR, EVP, EFWL, and Eskaton Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and applicable state regulations, except for federal and state tax on income resulting from unrelated business income. LD and CHC are taxable entities; however, income taxes for these entities are not significant to the consolidated financial statements.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. Eskaton recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2013 and 2012, there were no such uncertain tax positions.

Use of management's estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, contractual and uncollectible accounts receivables, useful lives of fixed assets, deferred revenue from unamortized CCRC membership fees, future service benefit obligations, self-insured workers' compensation, self-insured workers' employee health plan, interest rate swap liability, unfunded pension obligation, and professional liability.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, other receivables, deposits and prepaid expenses, other assets, accrued liabilities, and long-term debt approximate fair value. The fair values of assets limited as to use and investments are disclosed in Note 4. The fair values of derivative instruments are disclosed in Note 5.

Reclassifications – Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 presentation and had no impact on net income or net assets as previously reported.

NOTE 3 – THIRD-PARTY PAYORS

Eskaton has agreements with third-party payors that provide for payments to Eskaton at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – Skilled nursing services and home health visits provided to Medicare program beneficiaries are reimbursed under the Prospective Payment System (PPS). Eskaton is reimbursed under the PPS system for skilled nursing services on a per diem rate depending on each patient category, which is determined by the Resource Utilization Groups (RUG) system. Eskaton is reimbursed under the PPS system for home health visits on a per 60-day case rate depending on each patient category, which is determined by the Home Health Resource Groups (HHRG) system.

- **Medi-Cal** – Skilled nursing services and home health visits rendered to Medi-Cal program beneficiaries are reimbursed under prospectively determined per diem or per visit rates.

- **Other** – Eskaton has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Eskaton under these agreements includes prospectively determined daily rates and discounts from established charges.

NOTE 4 – ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use – Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use, stated at fair value, as of December 31 is set forth in the following table (in thousands):

	2013	2012
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	$ 5,276	$ 4,731
U.S. Treasury notes, government securities, and other corporate debt securities	7,369	9,949
	12,645	14,680
Resident assistance and program funds restricted by donors:		
Cash and short-term investments	34	24
Mutual funds	1,375	633
	1,409	657
	14,054	15,337
Less current portion	4,818	8,072
	$ 9,236	$ 7,265

Investments – Investments, at fair value, at December 31 include the following (in thousands):

	2013	2012
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	$ 1,927	$ 3,189
U.S. Treasury notes, government securities, and other corporate debt securities	3,412	3,053
Equity securities	22,218	20,063
Mutual funds	14,652	15,500
Alternative investments	7,508	4,374
	49,717	46,179
Corporate reserves for resident assistance and charitable gift annuities:		
Cash and short-term investments	39	311
U.S. Treasury notes, government securities, and other corporate debt securities	56	47
Equity securities	24	19
Mutual funds	1,149	1,044
	1,268	1,421
	50,985	47,600
Less current portion	49,717	46,179
	$ 1,268	$ 1,421

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> ***Level 1*** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Eskaton has the ability to access at the measurement date.
>
> ***Level 2*** inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
>
> ***Level 3*** inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement, in its entirety.

The fair values of the financial instruments as of December 31, 2013 and 2012, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Marketable investment securities – Certificate of deposit, money market funds, common stock, mutual funds, U.S. government securities, U.S. government bonds, and corporate bonds are measured using quoted market prices at the reporting date multiplied by the quantity held.

Alternative investment securities – Management has elected to carry alternative investments at fair value under the fair value option. The fair value of alternative investments has been determined using net asset value (NAV) as a practical expedient.

Investments by level at December 31, 2013 and 2012 are as follows (in thousands):

		Fair value measurements at reporting date using		
	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	$ 799	$ 799	$ -	$ -
Certificates of deposit	318	-	318	-
Money market funds	6,159	6,159	-	-
Common stock	22,242	22,242	-	-
Mutual funds	17,176	17,176	-	-
U.S. Government securities	7,146	-	7,146	-
U.S. Government bonds	2,309	-	2,309	-
Corporate bonds	1,382	-	1,382	-
Alternative investments	7,508	-	-	7,508
Total	$ 65,039	$ 46,376	$ 11,155	$ 7,508

	December 31, 2012	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	$ 372	$ 372	$ -	$ -
Certificates of deposit	1,459	-	1,459	-
Money market funds	6,424	6,424	-	-
Common stock	20,082	20,082	-	-
Mutual funds	17,176	17,176	-	-
U.S. Government securities	7,660	-	7,660	-
U.S. Government bonds	4,852	-	4,852	-
Corporate bonds	538	-	538	-
Alternative investments	4,374	-	-	4,374
Total	$ 62,937	$ 44,054	$ 14,509	$ 4,374

Eskaton invests in limited partner positions including hedge funds. Investments in commingled funds have the potential to become illiquid under stressed market conditions and, in certain circumstances investors may be subject to redemption restrictions which can impede the timely return of capital. These partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued on a monthly basis by each fund's independent administrator and for certain illiquid investments where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

Eskaton management meets at least quarterly with its investment advisor to review the strategy, and the ongoing performance of all investments, including analyzing changes in fair value measurements from period to period. Eskaton further corroborates third-party information used in the fair value measurement by obtaining audited financial statements of its hedge funds.

The following table presents Eskaton's alternative investments measured at estimated fair value as of December 31, 2013 (in thousands):

Description	Balance as of December 31, 2013	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds (i)	$ 5,330	$ -	Quarterly	95 days
Hedge funds (ii)	2,178	-	Annually	60 days
Total	$ 7,508	$ -		

(i) Hedge funds in this category were established for the purpose of achieving capital appreciation through a multi-manager, multi-strategy investment approach while maintaining a low level of volatility. The hedge funds implement their investment programs through investments in individually managed accounts, private investment funds, and affiliated funds.

(ii) Hedge funds in this category were established for the purpose of achieving consistent, positive returns, which are not dependent upon a rising equity market, while attempting to reduce risk and volatility. The hedge funds invest with other hedge funds and other experienced portfolio managers or otherwise utilize the services of investment advisors or other investment managers employing a variety of trading styles or strategies, including, but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy, and other relative value strategies.

The following tables reconcile the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated financial statements using significant unobservable (Level 3) inputs (in thousands):

	Hedge Funds (i)	Hedge Funds (ii)
Balance, January 1, 2013	$ 2,437	$ 1,937
Total realized and unrealized gains and losses		
Included in excess of revenues, gains, and other support over expenses	268	166
Included in changes in unrestricted net assets (deficit)	-	-
Purchases	-	-
Sales	-	-
Transfers in and/or out of Level 3	2,625	75
Balance, December 31, 2013	$ 5,330	$ 2,178

	Hedge Funds (i)	Hedge Funds (ii)
Balance, January 1, 2012	$ 2,305	$ 1,838
Total realized and unrealized gains and losses		
Included in excess of revenues, gains, and other support over expenses	132	99
Included in changes in unrestricted net assets (deficit)	-	-
Purchases	-	-
Sales	-	-
Transfers in and/or out of Level 3	-	-
Balance, December 31, 2012	$ 2,437	$ 1,937

Investment income, expenses, and gains for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ended December 31 (in thousands):

	Year ended December 31, 2013		
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	$ 1,192	$ 50	$ 1,242
Realized gains on sales of securities	2,300	90	2,390
Unrealized gains on trading securities and alternative investments	2,536	166	2,702
	6,028	306	6,334
Less investment expenses	458	17	475
Total investment income	5,570	289	5,859
Less temporarily restricted investment income	-	135	135
Unrestricted investment income	$ 5,570	$ 154	$ 5,724

	Year ended December 31, 2012		
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	$ 1,331	$ 41	$ 1,372
Realized gains on sales of securities	1,629	24	1,653
Unrealized gains on trading securities and alternative investments	2,269	107	2,376
	5,229	172	5,401
Less investment expenses	385	7	392
Total investment income	4,844	165	5,009
Less temporarily restricted investment income	-	48	48
Unrestricted investment income	$ 4,844	$ 117	$ 4,961

NOTE 5 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Eskaton has interest rate swap derivative instruments (swaps) to manage its exposure on its debt instruments. By using derivative instruments, Eskaton exposes itself to credit risk and termination risk.

Credit risk exists because Eskaton is dependent upon the interest rate swap counterparty to meet its obligations under the agreement. This risk is measured by the cost associated with replacing the agreement, not by the notional amount of the agreement. At inception, the swap's replacement cost, or fair market value, is close to zero. If interest rates change such that the fair market value of the swap is positive, Eskaton's exposure to the swap counterparty increases, as the cost of replacing the agreement increases. If the fair market value decreases, Eskaton's exposure to the swap counterparty decreases. Eskaton minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is higher than A2/A.

Termination risk is the risk that a swap will be terminated by the swap counterparty before maturity and Eskaton, due to adverse market conditions, will be forced to make a cash termination payment to the counterparty. The termination risk associated with swaps is managed by establishing and monitoring parameters that limit the market value sensitivity Eskaton is willing to accept. Termination risk is also mitigated by allowing only Eskaton to have voluntary termination rights and allowing the swap counterparty to terminate only under specific ratings downgrade triggers of Eskaton.

The estimated fair values of derivative instruments have been determined using Level 2 inputs including available market information and valuation methodologies. At December 31, 2013 and 2012, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of $5.3 million and $18.7 million, respectively. The credit risk assumption, as required under FASB ASC Topic 820, reduced Eskaton's interest rate swap liability by $0.3 million and $2.1 million in 2013 and 2012, respectively.

Interest rate swap agreements for variable-rate debt – Eskaton has issued variable-rate debt to refinance various debt issuances and finance capital improvements. The variable-rate debt obligations expose Eskaton to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively changed the variable-rate cash flow exposure on the debt obligations to fixed-rate cash flows. Under the terms of the swaps, Eskaton makes fixed interest rate payments and receives variable interest rate payments, thereby creating the equivalent of fixed-rate debt. As of December 31, 2013 and 2012, Eskaton was party to swap agreements with an aggregate notional principal amount of $31.7 million and $75.0 million, respectively.

Terminated interest rate swap agreements with Lehman Brothers – Eskaton held six interest rate swap agreements with Lehman Brothers Special Financing Inc. (Lehman) at the time Lehman declared bankruptcy in 2008. Lehman's bankruptcy was an event of default under the swap agreements providing Eskaton various rights as the nondefaulting party to the agreements. Eskaton subsequently exercised its rights under the agreements and terminated all six of its swaps with Lehman effective November 25, 2008. At the effective date of termination, the fair value of the net liability position of Eskaton to Lehman was approximately $12.6 million.

In accordance with the terms of the swap agreements, Eskaton conducted a bid process with alternative counterparties to determine the market value of the swaps based on terms of an acceptance of assignment from replacement counterparties. Due to the absence of any bids from alternative counterparties for the swap agreements, Eskaton retained a consultant to perform a loss-method valuation of the swaps based on a reasonable estimate of what a replacement swap with different terms might cost, adjusted for the differences in terms from the existing swaps. The loss-method valuation resulted in a net receivable position of Eskaton from Lehman of approximately $7.9 million. Eskaton filed the appropriate settlement amount notices with Lehman but did not recognize a receivable for the $7.9 million from Lehman due to its bankruptcy filing status.

In accordance with the alternative dispute resolution (ADR) process established by the United States Bankruptcy Court, Southern District of New York, Lehman filed a Derivatives ADR Notice on February 4, 2011 with a settlement demand in the amount of $15.1 million. Eskaton filed a Response to Derivatives ADR Notice on March 21, 2011 denying the settlement demand. On April 5, 2011, Lehman replied to Eskaton's response to derivatives ADR notice and revised their settlement demand to $13.4 million due to an error in its original calculation. Mediation commenced in August 2011 in accordance with the ADR process and a settlement was reached in December 2011. In accordance with the termination settlement agreement, Eskaton made a payment to Lehman of approximately $5.2 million on January 5, 2012 as full settlement of all interest rate swap agreement claims between the parties.

Other terminated interest rate swap agreements - In June 2013, Eskaton voluntarily terminated the swap agreement associated with the Series 2008B Bonds. In accordance with the terms of the swap termination agreement, Eskaton made a termination payment of approximately $9.7 million to the swap counterparty. Eskaton recognized a loss on settlement of approximately $133,000, which is included in interest rate swap activities in the consolidated statements of operations and changes in net assets (deficit) for the year ended December 31, 2013.

In November 2012, as a precondition to refinancing the Series 2007 Placerville Bonds with a Federal Housing Administration (FHA) insured loan, Eskaton voluntarily terminated the swap agreement associated with those bonds. In accordance with the terms of the swap termination agreement, Eskaton made a termination payment of approximately $2.1 million to the swap counterparty. Eskaton recognized a loss on settlement of approximately $172,000 which is included in interest rate swap activities in the consolidated statements of operations and changes in net assets (deficit) for the year ended December 31, 2012.

Interest rate swap activities - Interest rate swap activities recognized as a change in total revenues, gains, and other support for the years ended December 31 consist of the following (in thousands):

	2013	2012
Obligated group:		
Unrealized gain on interest rate swap agreements for variable-rate debt	$ 3,845	$ 429
Loss on settlement of terminated swaps	(133)	-
Nonobligated:		
Loss on settlement of terminated swaps	-	(172)
Net gain on interest rate swap agreements (including terminated swaps)	3,712	257
Obligated group:		
Net payments on interest rate swap agreements	(1,932)	(2,496)
Nonobligated:		
Net payments on interest rate swap agreements	-	(390)
Total interest rate swap activities (including terminated swaps)	$ 1,780	$ (2,629)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following (in thousands):

	2013	2012
Land	$ 16,347	$ 16,301
Land improvements	17,154	16,901
Buildings and improvements	176,344	171,128
Equipment	25,620	23,988
	235,465	228,318
Accumulated depreciation	(124,756)	(115,794)
	110,709	112,524
Construction in progress	4,694	1,855
Property and equipment, net	$ 115,403	$ 114,379

Interest costs of $320,000 and $0 were capitalized during the years ended December 31, 2013 and 2012, respectively.

NOTE 7 – LONG-TERM DEBT

Long-term debt at December 31 consists of the following (in thousands):

	2013	2012
Obligated group:		
Series 2013 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2013 Bonds) due 2035, principal due in annual installments and fixed interest of 2.00% to 5.00% due semi-annually; secured by deeds of trust.	$ 50,175	$ -
Series 2012 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2012 Bonds) due 2034, principal due in annual installments and fixed interest of 2.00% to 5.25% due semi-annually; secured by deeds of trust.	36,950	37,895
Series 2008A Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008A Bonds) due 2029, principal due in annual installments and variable interest due monthly (1.57% and 0.13% at December 31, 2013 and 2012, respectively); held under a bank direct placement agreement; secured by deeds of trust.	19,200	20,050
Series 2008B Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008B Bonds) due 2035, principal due in annual installments and variable interest due monthly (0.13% at December 31, 2012); supported by direct-pay irrevocable bank letter of credit; secured by deeds of trust.	-	43,625
Series 2007 Taxable Variable-Rate Demand Revenue Bonds (Series 2007 Granite Bay Bonds) due 2037, principal due in annual installments and variable interest due monthly (0.40% at December 31, 2012); supported by direct-pay irrevocable bank letter of credit; secured by deeds of trust.	-	11,470
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2037, principal due in annual installments commencing in 2010 and variable interest due monthly (1.36% and 1.39% at December 31, 2013 and 2012, respectively); held under a bank direct placement agreement; secured by deeds of trust.	19,015	19,435
Note payable to Bank of America, N.A., due 2016, principal due in annual installments and variable interest due monthly (1.21% at December 31, 2013); secured by deeds of trust.	11,270	-
Other notes, due through 2021	2,845	2,940

		2013		2012
Nonobligated:				
Note payable to Red Mortgage Capital, LLC due 2047, principal and interest of 2.45% due in monthly installments of $32; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust		8,812		8,962
Other notes, due through 2014		5,313		5,489
		153,580		149,866
Unamortized premiums		4,714		1,162
		158,294		151,028
Less current maturities		4,449		6,878
	$	153,845	$	144,150

Eskaton refinanced the Series 1999 Certificates on May 22, 2012 at a 3% discount with uninsured fixed rate debt (the Series 2012 Bonds). On June 28, 2012, Eskaton simultaneously admitted EVR to the Obligated Group and replaced the existing bank letter of credit for the Series 2006 Bonds under a five-year direct placement agreement with Compass Mortgage Corporation. Eskaton refinanced the Series 2008B Bonds on June 6, 2013, with uninsured fixed rate debt (the Series 2013 Bonds). Eskaton refinanced the Series 2007 Granite Bay Bonds on December 19, 2013, with a three year bank note from Bank of America, N.A.

Maturities (as calculated based on the following paragraph) of long-term debt are as follows (in thousands):

Year Ending December 31:		
2014	$	4,449
2015		4,410
2016		15,149
2017		21,568
2018		4,071
Thereafter		103,933
	$	153,580

Eskaton calculated the above maturities of long-term debt as if the variable rate demand bonds held under direct placement agreements with banks were not renewed or successfully remarketed or refinanced and were required to be repaid at the expiration dates in 2017 and 2020.

The total amount of long-term debt supported by direct placement agreements at December 31, 2013, was approximately $38 million. Eskaton pays fees on each direct placement facility, which range from 1.25% to 1.45% per annum and are included in interest and amortization expense in the consolidated statements of operations and changes in net assets (deficit).

Interest expense related to long-term debt for the years ended December 31, 2013 and 2012, net of amounts capitalized of $320,000 in 2013 comprises the following (in thousands):

		2013		2012
Obligated Group:				
Interest on bonds and notes	$	3,374	$	1,762
Letter of credit and other financing fees		862		1,647
Amortization of debt issuance costs		306		380
Nonobligated:				
Interest on bonds and notes		601		381
Letter of credit and other financing fees		6		147
Amortization of debt issuance costs		25		81
	$	5,174	$	4,398

The Series 2013 Bonds, Series 2012 Bonds, Series 2008A Bonds, Series 2008B Bonds, Series 2007 Bonds, Series 2006 Bonds, and the note payable to Bank of America, N.A. are subject to restrictive covenants contained in the Master Indenture of Trust. The Series 2008A Bonds and Series 2006 Bonds are also subject to additional covenants contained in the direct placement agreements with U.S. Bank, N.A. and Compass Mortgage Corporation, respectively. Under the Master Indenture of Trust, Eskaton is required to maintain certain deposits with a trustee that are included in assets limited as to use. The Master Indenture of Trust and related direct placement agreements also, among other things, require Eskaton to maintain specified debt service coverage ratios and days cash on hand, place limits on Eskaton on the incurrence of additional long-term debt, and require Eskaton to report material adverse changes. Management believes that Eskaton was in compliance with the various covenants as of and for the year ended December 31, 2013.

The note payable to Red Mortgage Capital, LLC, is also subject to restrictive covenants, including the requirement to maintain certain deposits with the lender. Such deposits include mortgage insurance premiums, property taxes, and property and liability insurance escrow accounts. The lender also holds reserve accounts for capital replacement reserves and residual receipts. All such escrow accounts and reserve accounts are included in assets limited as to use. Disbursements from the reserve accounts for the proper purpose may only be made after receiving consent in writing from the Secretary of Housing and Urban Development.

The Series 2006 Bonds, which were previously secured by a bank letter of credit with KBC Bank, N.V. through July 15, 2012, are held by Compass Mortgage Corporation under a direct placement agreement expiring June 28, 2017. The Series 2008A Bonds, which were previously secured by a bank letter of credit with U.S. Bank, N.A., are held by U.S. Bank, N.A under a direct placement agreement expiring September 1, 2020.

Long-term debt is carried at amortized cost. The fair value of Eskaton's long-term debt is estimated to equal its carrying value based on Level 2 inputs, such as the quoted market prices for the same or similar issues or on the current rates offered to Eskaton for debt of the same remaining maturities. The following table presents Eskaton's estimated fair values of the long-term debt in accordance with FASB ASC Topic 825, *Financial Instruments*, at December 31, 2013 and 2012 (in thousands):

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 158,294	$ 150,383	$ 151,028	$ 151,265

NOTE 8 – PENSION PLANS

Eskaton has a defined benefit cash balance pension plan whereby a participant's monthly rate of retirement benefits shall equal one twelfth of the amount determined in accordance with the Plan provisions. A participant may elect an optional form of benefit, including a single lump-sum payment. The Eskaton Retirement Plan covers all employees of Eskaton, EPI, EGRL, EVGV, EVR, EVP, EFWL, Eskaton Foundation, and LD who have attained the age of 21 after completion of one year of service in which the employee completes 1,000 hours of service. The Plan requires five benefit years to vest. Contributions of $2,912,000 and $2,398,000 were made for the years ended December 31, 2013 and 2012, respectively.

Eskaton is party to an irrevocable standby letter of credit totaling $3,840,000 and $4,268,000 at December 31, 2013 and 2012, respectively, with the Eskaton Retirement Plan named as beneficiary. The standby letter of credit supports restricted distributions (amounts distributed as lump sums in excess of amounts that would have been distributed as annuity payments) to 5 of the top 25 retirees of the Plan. The stand-by letter of credit would only be called upon in the event that Eskaton terminated the Plan and assets were insufficient to meet the Plan liabilities. Management has no plans to terminate the Plan and thus performance is not expected to be required. Management is therefore of the opinion that the fair value of this instrument is zero.

Eskaton also maintains a Supplemental Executive Retirement Plan (SERP) that provides supplemental funds for retirement or death for selected key employees of Eskaton in the event that the Eskaton Retirement Plan benefits of such individuals are less than the specified target. The SERP is a nonqualified plan intended to meet the requirements of an ineligible deferred compensation plan as described in Section 457(f) of the Internal Revenue Code of 1986. The benefit under the SERP is offset by certain portions of the Eskaton Retirement Plan. It is expected over time that the benefits payable from the SERP will be nearly completely offset by the cash balance pension plan.

The following table sets forth the plan's benefit obligations, fair value of assets, and funded status at December 31, 2013 and 2012 (in thousands):

	Eskaton Retirement Plan		SERP	
	2013	2012	2013	2012
Benefit obligation	$ 24,291	$ 25,213	$ 385	$ 279
Fair value of assets	22,631	19,011	-	-
Funded status at end of year (liabilities recognized in unfunded pension obligations in the consolidated balance sheets)	$ (1,660)	$ (6,202)	$ (385)	$ (279)

The accumulated benefit obligation for the pension plan was $24,025,000 and $24,922,000 at December 31, 2013 and 2012, respectively. Net periodic benefit cost recognized and other changes in plan assets and benefit obligations is excluded from excess of revenues over expenses in 2013 and 2012 and were as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2013	2012	2013	2012
Net periodic benefit cost recognized	$ 1,839	$ 3,090	$ 22	$ 57
Other changes in plan assets and benefit obligations recognized in accumulated unrestricted net assets (deficit):				
Net actuarial gain (loss)	(3,375)	380	83	(380)
Settlement	-	(790)	-	-
Prior service cost	(94)	32	-	-
Total recognized in accumulated unrestricted net assets (deficit)	(3,469)	(378)	83	(380)
Total recognized in net periodic benefit cost and accumulated unrestricted net assets (deficit)	$ (1,630)	$ 2,712	$ 105	$ (323)

The net loss and prior service cost for the Eskaton Retirement Plan that will be amortized from unrestricted net assets (deficit) into net periodic benefit cost over the next fiscal year is $462,000 and $124,000, respectively. The net gain for the SERP that will be amortized from unrestricted net assets (deficit) into net periodic benefit cost over the next fiscal year is $14,000 and $0, respectively.

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2013	2012	2013	2012
Discount rate - benefit obligation	4.40%	3.70%	4.40%	3.70%
Discount rate - benefit cost	3.70%	4.30%	3.70%	4.30%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of compensation increase	3.00%	3.00%	4.00%	4.00%

Eskaton's expected rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The following table summarizes benefit costs, employer contributions, settlement payments, and benefits paid during 2013 and 2012 (in thousands):

	Eskaton Retirement Plan		SERP	
	2013	2012	2013	2012
Benefit cost	$ 1,839	$ 2,302	$ 22	$ 57
Employer contribution	$ 2,912	$ 2,398	$ -	$ -
Settlement	$ -	$ 788	$ -	$ -
Benefits paid	$ (1,696)	$ (2,673)	$ -	$ -

Measurement date – The measurement date used to determine pension benefit measures for the plans is December 31.

Cash flows – Eskaton expects to contribute $1,970,000 to the Eskaton Retirement Plan and $0 to the SERP during the year ending December 31, 2014.

The benefits expected to be paid are as follows (in thousands):

Year Ending December 31,	Eskaton Retirement Plan	SERP
2014	$ 2,369	$ -
2015	2,241	-
2016	2,040	-
2017	2,048	-
2018	2,003	-
2019 - 2023	8,861	-

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation at December 31, 2013 and include estimated future employee service.

Plan assets – Eskaton's investment policy for the Eskaton Retirement Plan states the overall investment objectives of the account. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of each investment manager should achieve these objectives.

The objectives of the account are expected to be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. Each investment manager's greatest concern is expected to be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, management expects the account to achieve the following objectives over a three-year rolling time period:

- The account's total return will exceed the increase in the Consumer Price Index by 3.0% annually.
- The total return will exceed 8.4% annually, net of fees.

Target Asset Mix Table
Overall Portfolio

Asset class	Minimum percentage	Target percentage	Maximum percentage
Domestic equities	30%	45%	60%
Real estate	0%	5%	10%
International equities	10%	15%	20%
Domestic fixed income	15%	25%	35%
Alternative investments	0%	10%	20%

The asset allocations of plan assets at December 31, 2013, are as follows (in thousands):

		Fair value measurements at December 31, 2013		
		Plan assets		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category				
Cash	$ 230	$ 230	$ -	$ -
Money market funds	328	328	-	-
Common stock	9,946	9,946	-	-
Mutual funds	6,785	6,785	-	-
U.S. government securities	294	-	294	-
U.S. government bonds	700	-	700	-
Corporate Bonds	525	-	525	-
Guaranteed investment account	477	-	477	-
Pooled separate account	94	-	94	-
Alternative investments	3,252	-	-	3,252
Total pension assets	$ 22,631	$ 17,289	$ 2,090	$ 3,252

The asset allocations of plan assets at December 31, 2012, are as follows (in thousands):

		Fair value measurements at December 31, 2012		
		Plan assets		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category				
Cash	$ 122	$ 122	$ -	$ -
Money market funds	420	420	-	-
Common stock	8,255	8,255	-	-
Mutual funds	6,476	6,476	-	-
U.S. government securities	668	-	668	-
U.S. government bonds	574	-	574	-
Guaranteed investment account	807	-	807	-
Pooled separate account	79	-	79	-
Alternative investments	1,610	-	-	1,610
Total pension assets	$ 19,011	$ 15,273	$ 2,128	$ 1,610

The following tables reconcile the beginning and ending balances of recurring fair value measurements recognized in the plan assets using significant unobservable (Level 3) inputs (in thousands):

	Hedge funds
Balance, January 1, 2013	$ 1,610
Actual return on plan assets	142
Purchases	-
Sales	-
Transfers in and/or out of Level 3	1,500
Balance, December 31, 2013	$ 3,252

	Hedge funds
Balance, January 1, 2012	$ 1,527
Actual return on plan assets	83
Purchases	-
Sales	-
Transfers in and/or out of Level 3	-
Balance, December 31, 2012	$ 1,610

There were no significant transfers between plan assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2013 and 2012.

NOTE 9 – ESKATON VILLAGE CARMICHAEL

EVC is a multi-level continuing care community offering independent living, assisted living for those residents needing assistance with two or more of the activities of daily living and residents with cognitive impairments, and skilled nursing for all other residents. EVC is located on a 37-acre parcel of land in Carmichael, California, and consists of the following living units:

Unit type	Number of units
Apartments	201
Cottages	94
Assisted living	38
Assisted living – special care unit	20
Skilled nursing	35

Residents of the apartments and cottages pay a membership fee and sign a membership agreement, which has been approved by the Continuing Care Contracts Branch of the California Department of Social Services. The membership fee is refundable only from reoccupancy proceeds. Residents may resell their membership to another qualified individual, and Eskaton receives a transfer fee of 10% of the original membership fee amount, capped at a maximum of 10% of the new sales price. In addition, appreciation in excess of the original membership fee amount is shared equally between the resident and Eskaton.

During 2012, Eskaton introduced membership contracts with refundable membership fees, which are deferred and amortized on a straight-line basis over the five-year refundable period. Unamortized refundable membership fees totaled $1,016,000 and $460,000 as of December 31, 2013 and 2012, respectively.

Eskaton is obligated to provide future services and the use of the EVC community to the residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses of EVC. Management has determined that the deferred revenue from unamortized EVC membership fees and future monthly fees exceeds the present value of the net cost of future services and use of the EVC community to be provided to residents as of December 31, 2013 and 2012, discounted at 6%. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2013 and 2012.

NOTE 10 – SELF-INSURED EMPLOYEE HEALTH AND WORKERS' COMPENSATION

Eskaton is self-insured for employee health and workers' compensation up to $150,000 and $1,500,000 per claim, respectively. Eskaton maintains stop-loss insurance policies for employee health and workers' compensation with limits of $0 and $25,000,000 per claim, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton has recorded a liability of $1,372,000 and $1,298,000 at December 31, 2013 and 2012, respectively, in relation to employee health. Eskaton has recorded a liability of $9,166,000 and $7,897,000 at December 31, 2013 and 2012, respectively, in relation to workers' compensation. Eskaton is required to participate as a member in the State of California Self-Insurers' Security Fund, a not-for-profit mutual benefit corporation, to secure its liabilities for self-insured workers' compensation. In Eskaton's past experience, no claims have been made against this financial instrument. Management does not expect any material loss to result from this off-balance-sheet instrument because performance is not expected to be required and, therefore, is of the opinion that the fair value of this instrument is zero.

NOTE 11 – PROFESSIONAL LIABILITY INSURANCE

Eskaton maintains claims-made commercial professional liability insurance coverage with California Healthcare Insurance Company covering losses up to $5,000,000 per claim, annual aggregate of $15,000,000, with a $10,000 deductible per claim. Eskaton also purchases excess professional liability insurance coverage of $10,000,000 per claim and $10,000,000 aggregate over the primary insurance coverage limits. Eskaton has recorded a liability of $1,335,000 and $1,334,000 for the tail exposure at December 31, 2013 and 2012, respectively. In accordance with FASB Topic 954-450, *Health Care Entities: Contingencies*, Eskaton has also recorded a liability of $1,679,000 and $1,629,000 at December 31, 2013 and 2012, respectively, for estimated claim liabilities insured under its liability policy. Any related insurance recovery receivables are recorded under due from liability insurer in the accompanying consolidated balance sheets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Eskaton is a defendant in various legal actions arising from its normal conduct of business. It is the opinion of Eskaton's management, after consulting with legal counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial position or results of operations of Eskaton.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Eskaton's financial instruments that are exposed to concentrations of credit risk consist primarily of its accounts receivable.

Eskaton's operating facilities are located primarily in the Sacramento, California, metropolitan area. Eskaton grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. Receivables (before allowances for uncollectible accounts and net of applicable contractual allowances) from patients and third-party payors at December 31 are as follows (in thousands):

	2013	2012
Medicare	$ 1,119	$ 1,099
Medi-Cal	1,382	2,130
Other third-party payors	4,771	4,296
Patients and residents	1,349	1,069
	$ 8,621	$ 8,594

NOTE 14 – FUNCTIONAL EXPENSES

Eskaton provides health services, residential services, and community service programs within its geographic location. Expenses related to providing these services are as follows (in thousands):

		2013		2012
Health services	$	41,330	$	39,729
Residential services		54,085		50,790
Community service programs		1,192		1,134
Fund raising		897		800
General and administrative		11,709		15,806
	$	109,213	$	108,259

NOTE 15 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code: no reserves are being accumulated for identified projects or contingencies.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are issued.

Subsequent events have been evaluated through April 24, 2014, which is the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2013
(in thousands)

Assets	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Current assets:																
Cash and cash equivalents	$ 5,670	$ 131	$ 173	$ 1,820	$ 7,794	$ -	$ 7,794	$ 83	$ 22	$ 1,290	$ 341	$ -	$ 525	$ 10,055	$ -	$ 10,055
Assets limited as to use	4,517	151	79	-	4,747	-	4,747	-	-	71	-	-	-	4,818	-	4,818
Investments	49,400	-	-	165	49,565	-	49,565	-	-	-	152	-	-	49,717	-	49,717
Accounts receivable, net	8,244	24	16	15	8,299	-	8,299	59	-	(3)	7	-	-	8,362	-	8,362
Other receivables	3,393	-	15	229	3,637	-	3,637	46	166	81	223	-	18	4,171	-	4,171
Inventories	157	6	3	6	172	-	172	-	-	7	1	-	-	180	-	180
Deposits and prepaid expenses	677	18	19	19	733	-	733	24	-	14	6	-	4	781	-	781
Due from related parties	635	-	-	-	635	-	635	36	-	-	-	170	-	841	(841)	-
Total current assets	72,693	330	305	2,254	75,582	-	75,582	248	188	1,460	730	170	547	78,925	(841)	78,084
Assets limited as to use, net of amount required for current liabilities	4,609	2,074	1,079	-	7,762	-	7,762	-	-	64	-	-	1,410	9,236	-	9,236
Investments	-	-	-	-	-	-	-	-	-	-	-	-	1,268	1,268	-	1,268
Property and equipment, net	59,511	9,498	8,655	16,946	94,610	(169)	94,441	882	-	11,381	8,095	584	20	115,403	-	115,403
Other assets:																
Land available for sale	1,050	-	-	-	1,050	-	1,050	-	-	-	-	-	-	1,050	-	1,050
Due from liability insurer	1,679	-	-	-	1,679	-	1,679	-	-	-	-	-	-	1,679	-	1,679
Deferred financing costs, net	1,590	451	235	195	2,471	-	2,471	-	-	360	4	-	-	2,835	-	2,835
Associate member/resident/patient deposits	4,078	-	9	-	4,087	-	4,087	-	-	1	6	-	-	4,094	-	4,094
Other	906	-	-	-	906	-	906	1,284	-	-	500	-	-	2,690	(1,225)	1,465
Due from related parties, net of current portion	3,503	-	-	-	3,503	-	3,503	-	-	-	-	-	-	3,503	(3,503)	-
	12,806	451	244	195	13,696	-	13,696	1,284	-	361	510	-	-	15,851	(4,728)	11,123
Total assets	$ 149,619	$ 12,353	$ 10,283	$ 19,395	$ 191,650	$ (169)	$ 191,481	$ 2,414	$ 188	$ 13,266	$ 9,335	$ 754	$ 3,245	$ 220,683	$ (5,569)	$ 215,114

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – BALANCE SHEET (Continued)
December 31, 2013
(in thousands)

Liabilities and Net Assets (Deficit)	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Current liabilities:																
Current maturities of long-term debt	$ 2,674	$ 652	$ 340	$ 440	$ 4,106	$ -	$ 4,106	$ -	$ -	$ 168	$ 175	$ -	$ -	$ 4,449	$ -	$ 4,449
Current portion of deferred revenue from unamortized CCRC membership fees	2,132	-	-	-	2,132	-	2,132	-	-	-	-	-	-	2,132	-	2,132
Deposits on unoccupied CCRC units	331	7	-	$ 27	365	-	365	-	-	-	-	-	-	365	-	365
Accounts payable	1,458	91	59	100	1,708	-	1,708	38	-	44	46	-	7	1,843	-	1,843
Accrued liabilities:																
Payroll and payroll taxes	1,884	87	96	116	2,183	-	2,183	16	110	73	83	-	-	2,465	-	2,465
Vacation	1,300	59	48	52	1,459	-	1,459	33	73	49	43	-	16	1,673	-	1,673
Current portion of self-insured workers' compensation	2,690	-	-	-	2,690	-	2,690	-	-	-	-	-	-	2,690	-	2,690
Self-insured employee health plan	1,372	-	-	-	1,372	-	1,372	-	-	-	-	-	-	1,372	-	1,372
Interest	390	149	78	82	699	-	699	-	-	18	18	-	-	735	-	735
Other	935	10	7	2	954	-	954	13	-	14	3	4	-	988	-	988
Due to related parties	206	-	-	-	206	-	206	-	5	124	424	-	82	841	(841)	-
Total current liabilities	15,372	1,055	628	819	17,874	-	17,874	100	188	490	792	4	105	19,553	(841)	18,712
Other liabilities:																
Self-insured workers' compensation, net of current portion	6,476	-	-	-	6,476	-	6,476	-	-	-	-	-	-	6,476	-	6,476
Interest rate swap agreements	2,357	-	-	2,949	5,306	-	5,306	-	-	-	-	-	-	5,306	-	5,306
Unfunded pension obligation	2,045	-	-	-	2,045	-	2,045	-	-	-	-	-	-	2,045	-	2,045
Professional liability	3,014	-	-	-	3,014	-	3,014	-	-	-	-	-	-	3,014	-	3,014
Associate member/resident/patient deposits	4,078	-	9	-	4,087	-	4,087	-	-	1	6	-	-	4,094	-	4,094
Other	53	15	5	128	201	-	201	4	-	14	4	-	62	285	-	285
Due to related parties, net of current portion	-	-	-	-	-	-	-	-	-	1,403	2,100	-	-	3,503	(3,503)	-
	18,023	15	14	3,077	21,129	-	21,129	4	-	1,418	2,110	-	62	24,723	(3,503)	21,220
Long-term debt, net of current maturities	81,908	26,033	13,547	18,575	140,063	-	140,063	-	-	8,644	5,138	-	-	153,845	-	153,845
Deferred revenue from unamortized CCRC membership fees, net of current portion	13,876	-	-	-	13,876	-	13,876	-	-	-	-	-	-	13,876	-	13,876
Total liabilities	129,179	27,103	14,189	22,471	192,942	-	192,942	104	188	10,552	8,040	4	167	211,997	(4,344)	207,653
Net assets (deficit):																
Unrestricted net assets (deficit)	20,432	(14,750)	(3,906)	(3,076)	(1,300)	(169)	(1,469)	2,310	-	2,714	1,295	750	1,550	7,150	(1,225)	5,925
Temporarily restricted net assets	8	-	-	-	8	-	8	-	-	-	-	-	995	1,003	-	1,003
Permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	533	533	-	533
Total net assets (deficit)	20,440	(14,750)	(3,906)	(3,076)	(1,292)	(169)	(1,461)	2,310	-	2,714	1,295	750	3,078	8,606	(1,225)	7,461
Total liabilities and net assets (deficit)	$ 149,619	$ 12,353	$ 10,283	$ 19,395	$ 191,650	$ (169)	$ 191,481	$ 2,414	$ 188	$ 13,266	$ 9,335	$ 754	$ 3,245	$ 220,603	$ (5,569)	$ 215,114

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2013
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Unrestricted net assets (deficit):																
Revenue, gains, and other support:																
Net patient service revenue	$ 47,324	$ -	$ -	$ -	$ 47,324	$ -	$ 47,324	$ 667	$ -	$ -	$ -	$ -	$ -	$ 47,991	$ -	$ 47,991
Resident service revenue, including amortization of CCRC membership fees	34,385	5,700	4,871	5,310	50,266	-	50,266	-	-	4,175	3,961	-	-	58,402	-	58,402
Other, net	5,562	312	52	499	6,425	(1,116)	5,309	51	2,788	274	31	-	606	9,059	(1,098)	7,961
Total revenues, gains, and other support	87,271	6,012	4,923	5,809	104,015	(1,116)	102,899	718	2,788	4,449	3,992	-	606	115,452	(1,098)	114,354
Expenses:																
Salaries and wages	37,340	1,850	1,775	1,979	42,944	-	42,944	719	2,113	1,459	1,704	-	394	49,333	-	49,333
Employee benefits	12,869	581	618	664	14,732	-	14,732	249	675	469	572	-	134	16,831	-	16,831
Professional fees	1,065	16	26	15	1,122	-	1,122	4	-	1	20	-	42	1,189	-	1,189
Supplies	3,410	471	333	344	4,558	-	4,558	64	-	251	282	-	24	5,179	(47)	5,132
Purchased services	5,687	787	595	714	7,783	(1,116)	6,667	137	-	469	544	3	66	7,886	(630)	7,256
Ancillary costs	3,016	27	41	63	3,147	-	3,147	1	-	44	19	-	-	3,211	-	3,211
Utilities	3,030	311	212	206	3,759	-	3,759	7	-	189	229	2	2	4,188	-	4,188
Insurance and other	5,937	274	220	206	6,637	-	6,637	266	-	191	193	14	577	7,878	(421)	7,457
Depreciation	5,519	890	548	842	7,799	(9)	7,790	15	-	613	567	28	9	9,022	-	9,022
Interest and amortization	2,855	894	465	328	4,542	-	4,542	-	-	324	308	-	-	5,174	-	5,174
Provision for uncollectible accounts	383	1	27	8	419	-	419	1	-	-	-	-	-	420	-	420
Total operating expenses	81,111	6,102	4,860	5,369	97,442	(1,125)	96,317	1,463	2,788	4,010	4,438	47	1,248	110,311	(1,098)	109,213
Income (loss) from operations	6,160	(90)	63	440	6,573	9	6,582	(745)	-	439	(446)	(47)	(642)	5,141	-	5,141
Nonoperating revenue (expenses):																
Investment income (loss)	5,551	14	7	(2)	5,570	-	5,570	-	-	-	-	-	154	5,724	-	5,724
Interest rate swap activities	945	(370)	(193)	1,398	1,780	-	1,780	-	-	-	-	-	-	1,780	-	1,780
Loss on early repayment of debt	(88)	(55)	(29)	-	(172)	-	(172)	-	-	-	-	-	-	(172)	-	(172)
Other	(155)	(1)	-	(30)	(186)	-	(186)	-	-	-	-	-	(4)	(190)	-	(190)
Total nonoperating revenue (expenses), net	6,253	(412)	(215)	1,366	6,992	-	6,992	-	-	-	-	-	150	7,142	-	7,142
Excess (deficiency) of revenues, gains, and other support over expenses	12,413	(502)	(152)	1,806	13,565	9	13,574	(745)	-	439	(446)	(47)	(492)	12,283	-	12,283

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)(Continued)
Year Ended December 31, 2013
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Excess (deficiency) of revenues, gains, and other support over expenses (page 32)	$ 12,413	$ (502)	$ (152)	$ 1,806	$ 13,565	$ 9	$ 13,574	$ (745)	$ -	$ 439	$ (446)	$ (47)	$ (492)	$ 12,283	$ -	$ 12,283
Pension related changes other than net periodic pension cost	3,386	-		-	3,396		3,386	-	-			-	-	3,396		3,386
Transfers between related entities	(2,929)	318	1,177	63	(1,371)	-	(1,371)	748	-	-	-	-	623	-	-	-
Change in unrestricted net assets (deficit)	12,870	(184)	1,025	1,869	15,580	9	15,589	3	-	439	(446)	(47)	131	15,669	-	15,669
Unrestricted net assets (deficit), beginning of year	7,562	(14,566)	(4,931)	(4,945)	(16,880)	(178)	(17,058)	2,307	-	2,275	1,741	797	1,419	(8,519)	(1,225)	(9,744)
Unrestricted net assets (deficit), end of year	$ 20,432	$ (14,750)	$ (3,906)	$ (3,076)	$ (1,300)	$ (169)	$ (1,469)	$ 2,310	$ -	$ 2,714	$ 1,295	$ 750	$ 1,550	$ 7,150	$ (1,225)	$ 5,925
Temporarily restricted net assets:																
Contributions	$ 2	$ -	$ -	$ -	$ 2	$ -	$ 2	$ -	$ -	$ -	$ -	$ -	$ 352	$ 354	$ -	$ 354
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	135	135	-	135
Net assets released from restriction used for operations	(2)	-	-	-	(2)	-	(2)	-	-	-	-	-	(337)	(339)	-	(339)
Change in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	150	150	-	150
Temporarily restricted net assets, beginning of year	8	-	-	-	8	-	8	-	-	-	-	-	845	853	-	853
Temporarily restricted net assets, end of year	$ 8	$ -	$ -	$ -	$ 8	$ -	$ 8	$ -	$ -	$ -	$ -	$ -	$ 995	$ 1,003	$ -	$ 1,003
Permanently restricted net assets:																
Contributions of endowments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5	$ 5	$ -	$ 5
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1
Change in permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	6	6	-	6
Permanently restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	527	527	-	527
Permanently restricted net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 533	$ 533	$ -	$ 533
Change in net assets (deficit)	$ 12,870	$ (184)	$ 1,025	$ 1,869	$ 15,580	$ 9	$ 15,589	$ 3	$ -	$ 439	$ (446)	$ (47)	$ 287	$ 15,825	$ -	$ 15,825
Net assets (deficit), beginning of year	7,570	(14,566)	(4,931)	(4,943)	(16,872)	(178)	(17,050)	2,307	-	2,275	1,741	797	2,791	(7,139)	(1,225)	(8,364)
Net assets (deficit), end of year	$ 20,440	$ (14,750)	$ (3,906)	$ (3,076)	$ (1,292)	$ (169)	$ (1,461)	$ 2,310	$ -	$ 2,714	$ 1,295	$ 750	$ 3,078	$ 8,686	$ (1,225)	$ 7,461

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – CASH FLOWS
Year Ended December 31, 2013
(In thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Cash flows from operating activities:																
Change in net assets (deficit)	$ 1[illegible]070	$ (104)	$ 1,025	$ 1,069	$ 15,580	$ 9	$ 15,589	$ 3	$ -	$ 439	$ (446)	$ (47)	$ 287	$ 15,825	$ -	$ 15,825
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:																
Depreciation	5,519	890	548	842	7,799	(9)	7,790	15	-	613	567	28	9	9,022	-	9,022
Amortization of deferred financing costs	191	39	28	56	306	-	306	-	-	11	14	-	-	331	-	331
Amortization of CCRC membership fees	(1,567)	-	-	-	(1,567)	-	(1,567)	-	-	-	-	-	-	(1,567)	-	(1,567)
Net realized and unrealized (gains) losses on assets limited as to use	182	9	5	-	196	-	196	-	-	-	-	-	(127)	69	-	69
Net realized and unrealized gains on investments	(5,470)	-	-	-	(5,470)	-	(5,470)	-	-	-	-	-	(133)	(5,603)	-	(5,603)
Pension related changes other than net periodic pension cost	(3,386)	-	-	-	(3,386)	-	(3,386)	-	-	-	-	-	-	(3,386)	-	(3,386)
Change in fair value of interest rate swap agreements	(1,607)	66	[illegible]5	(2,126)	(3,712)	-	(3,712)	-	-	-	-	-	-	(3,712)	-	(3,712)
Provision for uncollectible accounts	383	1	27	8	419	-	419	1	-	-	-	-	-	420	-	420
Transfers between related entities	2,929	(310)	(1,177)	(63)	1,371	-	1,371	(748)	-	-	-	-	(623)	-	-	-
Proceeds from permanently restricted contributions	-	-	-	-	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Loss on early repayment of debt	88	55	29	-	172	-	172	-	-	-	-	-	-	172	-	172
CCRC resale proceeds	6,263	-	-	-	6,263	-	6,263	-	-	-	-	-	-	6,263	-	6,263
Loss on disposal of property and equipment	155	-	-	-	155	-	155	-	-	-	-	-	-	155	-	155
Changes in operating assets and liabilities:																
Change in receivables	(791)	266	(31)	(220)	(776)	-	(776)	54	(53)	(75)	(149)	-	358	(641)	-	(641)
Change in inventories	30	2	4	(2)	34	-	34	-	-	(2)	5	-	-	37	-	37
Change in deposits and prepaid expenses	127	52	22	7	200	-	200	-	-	91	67	-	-	363	-	363
Change in other assets	302	-	-	-	302	-	302	-	-	-	(1)	-	[illegible]	301	-	301
Change in accounts payable	329	15	(109)	17	252	-	252	32	(23)	(10)	(5)	(2)	(2)	242	-	242
Change in accrued liabilities	1,859	108	50	66	2,083	-	2,083	(17)	87	43	16	(1)	8	2,219	-	2,219
Change in unfunded pension obligation	(1,050)	-	-	-	(1,050)	-	(1,050)	-	-	-	-	-	-	(1,050)	-	(1,050)
Change in other liabilities	(447)	2	3	3	(439)	-	(439)	-	-	6	4	-	20	(409)	-	(409)
Net cash provided by (used in) operating activities	16,909	903	451	477	18,820	-	18,820	(660)	11	1,116	72	(22)	(211)	19,126	-	19,126
Cash flows from investing activities:																
Purchases of assets limited as to use	(51,923)	(23,450)	(12,203)	-	(87,576)	-	(87,576)	-	-	(94)	-	-	(1,528)	(89,198)	-	(89,198)
Proceeds from sales of assets limited as to use	54,984	22,742	11,8[illegible]	-	89,480	-	89,480	-	-	29	-	-	903	90,412	-	90,412
Purchases of investments	(996)	-	-	-	(996)	-	(996)	-	-	-	-	-	198	(798)	-	(798)
Proceeds from sales of investments	2,929	-	-	-	2,929	-	2,929	-	-	-	-	-	87	3,016	-	3,016
Expenditures for property and equipment	(8,172)	(329)	(1,060)	(66)	(9,627)	-	(9,627)	(37)	-	(154)	(355)	-	(28)	(10,201)	-	(10,201)
Net cash provided by (used in) investing activities	(3,258)	(1,037)	(1,429)	(66)	(5,790)	-	(5,790)	(37)	-	(219)	(355)	-	(368)	(6,769)	-	(6,769)
Cash flows from financing activities:																
CCRC resale disbursements	(6,275)	-	-	-	(6,275)	-	(6,275)	-	-	-	-	-	-	(6,275)	-	(6,275)
Change in deposits on unoccupied CCRC units	104	-	-	19	123	-	123	-	-	-	-	-	-	123	-	123
Proceeds from permanently restricted contributions	-	-	-	-	-	-	-	-	-	-	-	-	5	5	-	5
Proceeds from long-term borrowing	24,917	27,574	14,340	-	66,839	-	66,839	-	-	-	-	-	-	66,839	-	66,839
Principal payments on long-term debt	(24,566)	(22,535)	(11,726)	(420)	(59,247)	-	(59,247)	-	-	(151)	(175)	-	-	(59,573)	-	(59,573)
Debt issuance costs	(743)	(462)	(241)	30	(1,400)	-	(1,400)	-	-	-	-	-	-	(1,400)	-	(1,400)
Payments on settlement of terminated swaps	(2,386)	(4,021)	(2,509)	-	(9,716)	-	(9,716)	-	-	-	-	-	-	(9,716)	-	(9,716)
Net change in due to/due from related entities	(3,238)	318	1,177	63	(1,680)	-	(1,680)	711	11	(138)	529	(85)	652	-	-	-
Net cash provided by (used in) financing activities	(12,187)	74	1,049	(308)	(11,364)	-	(11,364)	711	11	(289)	354	(85)	657	(10,005)	-	(10,005)
Net increase (decrease) in cash and cash equivalents	1,464	20	71	111	1,666	-	1,666	14	22	600	71	(107)	78	2,352	-	2,352
Cash and cash equivalents, beginning of year	4,206	111	102	1,709	6,128	-	6,128	69	-	682	270	107	447	7,703	-	7,703
Cash and cash equivalents, end of year	$ 5,670	$ 131	$ 173	$ 1,820	$ 7,794	$ -	$ 7,794	$ 83	$ 22	$ 1,290	$ 341	$ -	$ 525	$ 10,055	$ -	$ 10,055
Supplemental disclosure:																
Cash paid for interest	$ 2,919	$ 769	$ 400	$ 272	$ 4,360	$ -	$ 4,360	$ -	$ -	$ 295	$ 302	$ -	$ -	$ 4,957	$ -	$ 4,957

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2013
(in thousands)

Assets	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Current assets:													
Cash and cash equivalents	$ 5,661	$ 1	$ 1	$ 1	$ 1	$ -	$ 1	$ 1	$ -	$ 2	$ 1	$ -	$ 5,670
Assets limited as to use	75	-	-	-	-	-	-	-	-	4,442	-	-	4,517
Investments	40,612	-	-	-	-	-	-	-	-	8,788	-	-	49,400
Accounts receivable, net	-	2,070	2,559	1,842	16	1	(5)	11	622	1,114	14	-	8,244
Other receivables	2,185	-	2	4	-	-	-	-	-	1,202	-	-	3,393
Inventories	24	19	23	24	2	-	5	8	5	47	-	-	157
Deposits and prepaid expenses	322	55	35	50	10	-	8	14	12	165	6	-	677
Due from related parties	635	-	-	-	-	-	-	-	-	-	-	-	635
Total current assets	49,514	2,145	2,620	1,921	29	1	9	34	639	15,760	21	-	72,693
Assets limited as to use, net of amount required for current liabilities	1,027	-	-	-	-	-	-	-	-	3,582	-	-	4,609
Property and equipment, net	1,316	1,240	1,992	2,710	1,899	1,830	2,689	12,023	26	33,595	191	-	59,511
Other assets:													
Land available for sale	1,050	-	-	-	-	-	-	-	-	-	-	-	1,050
Due from liability insurer	1,679	-	-	-	-	-	-	-	-	-	-	-	1,679
Deferred financing costs, net	233	15	53	64	19	26	40	185	-	955	-	-	1,590
Associate member/resident/patient deposits	-	2	6	11	-	-	4	-	-	4,055	-	-	4,078
Other	600	-	-	-	-	-	-	-	-	339	(33)	-	906
Due from related parties, net of currrent portion	3,503	-	-	-	-	-	-	-	-	-	-	-	3,503
	7,065	17	59	75	19	26	44	185	-	5,349	(33)	-	12,806
Total assets	$ 58,922	$ 3,402	$ 4,671	$ 4,706	$ 1,947	$ 1,857	$ 2,742	$ 12,242	$ 665	$ 58,286	$ 179	$ -	$ 149,619

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – BALANCE SHEET (Continued)
December 31, 2013
(In thousands)

Liabilities and Net Assets (Deficit)	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Current liabilities:													
Current maturities of long-term debt	$ 592	$ 35	$ 130	$ 155	$ 46	$ 64	$ 96	$ 210	$ -	$ 1,346	$ -	$ -	$ 2,674
Current portion of deferred revenue from unamortized CCRC membership fees	-	-	-	-	-	-	-	-	-	2,132	-	-	2,132
Deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	-	331	-	-	331
Accounts payable	305	133	181	154	56	5	11	48	4	624	(63)	-	1,458
Accrued liabilities:													
Payroll and payroll taxes	971	143	206	203	28	-	38	51	65	192	(13)	-	1,884
Vacation	294	173	232	231	26	8	22	30	61	205	18	-	1,300
Current portion of self-insured workers' compensation	2,690	-	-	-	-	-	-	-	-	-	-	-	2,690
Self-insured employee health plan	1,372	-	-	-	-	-	-	-	-	-	-	-	1,372
Interest	75	1	4	5	2	2	3	54	-	244	-	-	390
Other	229	60	99	68	103	25	10	21	229	94	(3)	-	935
Due to related parties	170	-	-	-	-	-	-	-	-	-	36	-	206
Total current liabilities	6,698	545	852	816	261	104	180	414	359	5,168	(25)	-	15,372
Other liabilities:													
Self-insured workers' compensation, net of current portion	6,476	-	-	-	-	-	-	-	-	-	-	-	6,476
Interest rate swap agreements	-	-	-	-	-	-	-	2,357	-	-	-	-	2,357
Unfunded pension obligation	2,045	-	-	-	-	-	-	-	-	-	-	-	2,045
Professional liability	3,014	-	-	-	-	-	-	-	-	-	-	-	3,014
Associate member/resident/patient deposits	-	2	6	11	-	-	4	-	-	4,055	-	-	4,078
Other	1	2	3	3	5	-	-	-	-	39	-	-	53
	11,536	4	9	14	5	-	4	2,357	-	4,094	-	-	18,023
Long-term debt, net of current maturities	16,113	872	3,196	3,813	1,136	1,572	2,374	11,060	-	41,772	-	-	81,908
Deferred revenue from unamortized CCRC membership fees, net of current portion	-	-	-	-	-	-	-	-	-	13,876	-	-	13,876
Total liabilities	34,347	1,421	4,057	4,643	1,402	1,676	2,558	13,831	359	64,910	(25)	-	129,179
Net assets (deficit):													
Unrestricted net assets (deficit)	24,575	1,981	614	63	545	181	184	(1,589)	306	(6,632)	204	-	20,432
Temporarily restricted net assets	-	-	-	-	-	-	-	-	-	8	-	-	8
Total net assets (deficit)	24,575	1,981	614	63	545	181	184	(1,589)	306	(6,624)	204	-	20,440
Total liabilities and net assets (deficit)	$ 58,922	$ 3,402	$ 4,671	$ 4,706	$ 1,947	$ 1,857	$ 2,742	$ 12,242	$ 665	$ 58,286	$ 179	$ -	$ 149,619

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2013
(In thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Unrestricted net assets (deficit):													
Revenue, gains, and other support:													
Net patient service revenue	$ -	$ 11,359	$ 16,818	$ 15,373	$ -	$ -	$ -	$ -	$ 3,774	$ -	$ -	$ -	$ 47,324
Resident service revenue, including amortization of CCRC membership fees	-	-	-	-	2,686	557	2,011	5,457	-	23,675	(1)	-	34,385
Other, net	8,606	85	25	26	125	21	24	230	-	1,189	260	(5,029)	5,562
Total revenues, gains, and other support	8,606	11,444	16,843	15,399	2,811	578	2,035	5,687	3,774	24,864	259	(5,029)	67,271
Expenses:													
Salaries and wages	5,805	5,303	7,383	7,009	698	70	812	1,723	2,124	5,933	480	-	37,340
Employee benefits	2,686	1,754	2,358	2,285	255	28	268	531	553	1,991	160	-	12,869
Professional fees	673	134	89	69	8	-	9	12	-	71	-	-	1,065
Supplies	294	514	763	677	297	10	155	414	11	240	35	-	3,410
Purchased services	664	824	1,124	1,108	339	67	272	509	188	5,536	85	(5,029)	5,687
Ancillary costs	-	894	870	720	-	-	-	40	45	437	-	-	3,016
Utilities	180	242	270	223	235	114	113	215	24	1,402	12	-	3,030
Insurance and other	520	903	1,416	1,383	135	29	108	237	221	878	107	-	5,937
Depreciation	271	180	487	483	219	133	204	548	14	2,960	20	-	5,519
Interest and amortization	569	21	76	90	27	37	56	277	-	1,702	-	-	2,855
Provision for uncollectible accounts	-	60	129	182	-	1	3	-	1	7	-	-	383
Total operating expenses	11,662	10,829	14,965	14,239	2,213	489	2,000	4,506	3,181	21,157	899	(5,029)	61,111
Income (loss) from operations	(3,056)	615	1,878	1,160	598	89	35	1,181	593	3,707	(640)	-	6,160
Nonoperating revenue (expenses):													
Investment income	4,855	-	-	-	-	-	-	-	-	696	-	-	5,551
Interest rate swap activities	(183)	-	-	-	-	-	-	1,128	-	-	-	-	945
Loss on early repayment of debt	(29)	(2)	(9)	(11)	(3)	(4)	(7)	(10)	-	(13)	-	-	(88)
Other	(103)	-	-	-	-	-	-	-	-	(52)	-	-	(155)
Total nonoperating revenue (expenses), net	4,540	(2)	(9)	(11)	(3)	(4)	(7)	1,118	-	631	-	-	6,253
Excess (deficiency) of revenues, gains, and other support over expenses	1,484	613	1,869	1,149	595	85	28	2,299	593	4,338	(640)	-	12,413

ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)
Year Ended December 31, 2013
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Excess (deficiency) of revenues, gains, and other support over expenses (page 37)	$ 1,484	$ 613	$ 1,869	$ 1,149	$ 595	$ 85	$ 28	$ 2,299	$ 593	$ 4,338	$ (640)	$ -	$ 12,413
Pension related changes other than net periodic pension cost	3,386	-	-	-	-	-	-	-	-	-	-	-	3,386
Transfers between related entities	3,112	(349)	(2,486)	(1,535)	(273)	(97)	161	(382)	(513)	(1,388)	821	-	(2,929)
Change in unrestricted net assets (deficit)	7,982	264	(617)	(386)	322	(12)	189	1,917	80	2,950	181	-	12,870
Unrestricted net assets (deficit), beginning of year	16,593	1,717	1,231	449	223	193	(5)	(3,506)	226	(9,582)	23	-	7,562
Unrestricted net assets (deficit), end of year	$ 24,575	$ 1,981	$ 614	$ 63	$ 545	$ 181	$ 184	$ (1,589)	$ 306	$ (6,632)	$ 204	$ -	$ 20,432
Temporarily restricted net assets:													
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2	$ -	$ -	2
Net assets released from restriction **used for operations**	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)
Change in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporarily restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	8	-	-	8
Temporarily restricted net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8	$ -	$ -	$ 8
Change in net assets (deficit)	$ 7,982	$ 264	$ (617)	$ (386)	$ 322	$ (12)	$ 189	$ 1,917	$ 80	$ 2,950	$ 181	$ -	$ 12,870
Net assets (deficit), beginning of year	16,593	1,717	1,231	449	223	193	(5)	(3,506)	226	(9,574)	23	-	7,570
Net assets (deficit), end of year	$ 24,575	$ 1,981	$ 614	$ 63	$ 545	$ 181	$ 184	$ (1,589)	$ 306	$ (6,624)	$ 204	$ -	$ 20,440

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – CASH FLOWS
Year Ended December 31, 2013
(In thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Cash flows from operating activities:													
Change in net assets (deficit)	$ 7,982	$ 264	$ (617)	$ (386)	$ 322	$ (12)	$ 189	$ 1,917	$ 80	$ 2,950	$ 181	$ -	$ 12,870
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:													
Depreciation	271	180	487	483	219	133	204	548	14	2,960	20	-	5,519
Amortization of deferred financing costs	26	4	15	18	6	7	11	39	-	65	-	-	191
Amortization of CCRC membership fees	-	-	-	-	-	-	-	-	-	(1,567)	-	-	(1,567)
Net realized and unrealized losses on assets limited as to use	4	-	-	-	-	-	-	-	-	178	-	-	182
Net realized and unrealized gains on investments	(4,764)	-	-	-	-	-	-	-	-	(706)	-	-	(5,470)
Pension related changes other than net periodic pension costs	(3,386)	-	-	-	-	-	-	-	-	-	-	-	(3,386)
Change in fair value of interest rate swap agreements	33	-	-	-	-	-	-	(1,720)	-	-	-	-	(1,687)
Provision for uncollectible accounts	-	60	129	182	-	1	3	-	1	7	-	-	383
Transfers between related entities	(3,112)	349	2,406	1,5[illegible]5	273	97	(161)	382	513	1,308	(821)	-	2,929
Loss on early repayment of debt	29	2	9	11	3	4	7	10	-	13	-	-	88
CCRC resale proceeds	-	-	-	-	-	-	-	-	-	6,263	-	-	6,263
Loss on disposal of property and equipment	103	-	-	-	-	-	-	-	-	52	-	-	155
Changes in operating assets and liabilities:													
Change in receivables	376	(212)	240	(22)	(9)	(1)	25	7	(166)	(1,026)	(3)	-	(791)
Change in inventories	24	1	1	6	-	-	2	(4)	-	-	-	-	30
Change in deposits and prepaid expenses	(117)	10	64	15	19	11	6	17	(1)	109	(6)	-	127
Change in other assets	(50)	(1)	2	(1)	-	-	(1)	-	-	400	33	-	382
Change in accounts payable	92	(5)	45	25	9	(5)	(7)	(23)	-	262	(64)	-	329
Change in accrued liabilities	1,589	(1)	19	77	18	(1)	10	13	74	59	2	-	1,859
Change in unfunded pension obligation	(1,050)	-	-	-	-	-	-	-	-	-	-	-	(1,050)
Change in other liabilities	51	2	(4)	4	(1)	-	1	-	-	(500)	-	-	(447)
Net cash provided by (used in) operating activities	(1,899)	653	2,876	1,947	859	234	289	1,186	515	10,907	(658)	-	16,909
Cash flows from investing activities:													
Purchases of assets limited as to use	(11,606)	-	-	-	-	-	-	-	-	(40,317)	-	-	(51,923)
Proceeds from sales of assets limited as to use	11,256	-	-	-	-	-	-	-	-	43,648	-	-	54,904
Purchases of investments	(808)	-	-	-	-	-	-	-	-	(188)	-	-	(996)
Proceeds from sales of investments	2,411	-	-	-	-	-	-	-	-	518	-	-	2,929
Expenditures for property and equipment	(403)	(248)	(186)	(168)	(514)	([illegible]7)	(298)	(418)	(2)	(5,700)	(198)	-	(8,172)
Net cash provided by (used in) financing activities	850	(248)	(186)	(168)	(514)	(37)	(298)	(418)	(2)	(2,039)	(198)	-	(3,258)
Cash flows from financing activities:													
CCRC resale disbursements	-	-	-	-	-	-	-	-	-	(6,275)	-	-	(6,275)
Change in deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	-	104	-	-	104
Proceeds from long-term borrowing	13,647	-	-	-	-	-	-	11,270	-	-	-	-	24,917
Principal payments on long-term debt	(11,277)	(40)	(147)	(176)	(52)	(72)	(110)	(11,470)	-	(1,222)	-	-	(24,566)
Debt issuance costs	(240)	(16)	(57)	(68)	(20)	(28)	(42)	(185)	-	(87)	-	-	(743)
Payments on settlement of terminated swaps	(2,386)	-	-	-	-	-	-	-	-	-	-	-	(2,386)
Net change in due to/due from related entities	2,760	(349)	(2,486)	(1,535)	(273)	(97)	161	(383)	(513)	(1,3[illegible])	857	-	(3,238)
Net cash provided by (used in) financing activities	2,512	(405)	(2,690)	(1,779)	(345)	(197)	9	(768)	(513)	(8,068)	857	-	(12,187)
Net increase in cash and cash equivalents	1,463	-	-	-	-	-	-	-	-	-	1	-	1,464
Cash and cash equivalents, beginning of year	4,198	1	1	1	1	-	1	1	-	2	-	-	4,206
Cash and cash equivalents, end of year	$ 5,661	$ 1	$ 1	$ 1	$ 1	$ -	$ 1	$ 1	$ -	$ 2	$ 1	$ -	$ 5,670
Supplemental disclosure:													
Cash paid for interest	$ 499	$ 16	$ 58	$ 67	$ 19	$ 28	$ 43	$ 237	$ -	$ 1,952	$ -	$ -	$ 2,919

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2013
(in thousands)

Assets	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Current assets:			
Cash and cash equivalents	$ 50	$ 33	$ 83
Accounts receivable, net	-	59	59
Other receivables	42	4	46
Deposits and prepaid expenses	3	21	24
Due from related parties	36	-	36
Total current assets	131	117	248
Property and equipment, net	783	99	882
Other assets	1,284	-	1,284
Total assets	$ 2,198	$ 216	$ 2,414
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$ 35	$ 3	$ 38
Accrued liabilities:			
Payroll and payroll taxes	8	8	16
Vacation	10	23	33
Other	-	13	13
Total current liabilities	53	47	100
Other liabilities:			
Other liabilities	4	-	4
	4	-	4
Total liabilities	57	47	104
Net assets:			
Unrestricted net assets	2,141	169	2,310
Total net assets	2,141	169	2,310
Total liabilities and net assets	$ 2,198	$ 216	$ 2,414

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2013
(in thousands)

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Unrestricted net assets (deficit):			
Revenues, gains, and other support:			
Net patient services revenue	$ -	$ 667	$ 667
Other, net	6	45	51
Total revenues, gains, and other support	6	712	718
Expenses:			
Salaries and wages	159	560	719
Employee benefits	60	189	249
Professional fees	-	4	4
Supplies	6	58	64
Purchased services	51	86	137
Ancillary costs	-	1	1
Utilities	6	1	7
Insurance and other	43	223	266
Depreciation	3	12	15
Provision for uncollectible accounts	-	1	1
Total operating expenses	328	1,135	1,463
Loss from operations	(322)	(423)	(745)
Nonoperating revenue:			
Investment income	-	-	-
Total nonoperating revenue	-	-	-
Deficiency of revenues, gains, and other support over expenses	$ (322)	$ (423)	$ (745)

(in thousands)

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Deficiency of revenues, gains, and other support over expenses (page 41)	$ (322)	$ (423)	$ (745)
Transfers between related entities	329	419	748
Change in unrestricted net assets (deficit)	7	(4)	3
Unrestricted net assets, beginning of year	2,134	173	2,307
Unrestricted net assets, end of year	2,141	169	2,310
Temporarily restricted net assets:			
Net assets released from restriction used for operations	-	-	-
Increase in temporarily restricted net assets	-	-	-
Temporarily restricted net assets, beginning of year	-	-	-
Temporarily restricted net assets, end of year	$ -	$ -	$ -
Change in net assets (deficit)	$ 7	$ (4)	$ 3
Net assets, beginning of year	2,134	173	2,307
Net assets, end of year	$ 2,141	$ 169	$ 2,310

(in thousands)

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Cash flows from operating activities:			
Change in net assets (deficit)	$ 7	$ (4)	$ 3
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:			
Depreciation	3	12	15
Provision for uncollectible accounts	-	1	1
Transfers between related entities	(329)	(419)	(748)
Change in operating assets and liabilities:			
Change in receivables	-	54	54
Change in deposits and prepaid expenses	6	(6)	-
Change in accounts payable	32	-	32
Change in accrued liabilities	(18)	1	(17)
Net cash used in operating activities	(299)	(361)	(660)
Cash flows from investing activities:			
Expenditures for property and equipment	16	(53)	(37)
Net cash provided by (used in) investing activities	16	(53)	(37)
Cash flows from financing activities:			
Net change in due to/from related entities	293	418	711
Net cash provided by financing activities	293	418	711
Net increase in cash and cash equivalents	10	4	14
Cash and cash equivalents, beginning of year	40	29	69
Cash and cash equivalents, end of year	$ 50	$ 33	$ 83

EPI sponsors community education, health fairs, community fundraising for charitable purposes, and aging services organizations that research technology and other services appropriate to older adult living. Eskaton's National Demonstration Home presents innovative solutions in home design and technology that will enable older adults to maximize their independence and remain in their own homes. Eskaton provides educational guided tours of the National Demonstration Home to the public for free.

In addition, Eskaton and EPI provide the following community service programs under their social responsibility policies:

Information and Referral Assistance Program – Eskaton operates a toll free phone number that provides older adults and their family members with information about community resources, assistance in selecting the appropriate level and source of care, educational courses, placement referrals, legal consultation services, case management, transportation services, and other services. These services are provided free or at nominal cost to the clients.

Telephone Reassurance Program – Eskaton owns and operates a telephone reassurance/home visitor program. The Telephone Reassurance Program is provided primarily by volunteers, is free to clients, and includes daily telephone calls and/or weekly home visits to isolated older adults.

Adult Day Health Care Center (ADHC) – Eskaton owns and operates an ADHC program that provides social, recreational, and rehabilitation services to residents of a portion of Sacramento County. The ADHC program accepts Medi-Cal clients despite the shortfall of Medi-Cal reimbursement compared to cost. The ADHC program also accepts uninsured and under-insured clients at rates below actual cost.

Social Responsibility Costs – The actual costs of community education and health fairs, community and aging services sponsorships, and demonstration home tours; and the difference between the cost and reimbursement of providing community service programs are all considered to be social responsibility. The level of social responsibility provided for the years ended December 31 is measured as follows (dollar amounts in thousands):

	2013	2012
Community sponsorships	$ 20	$ 7
Aging services sponsorships	22	10
Demonstration Home tours	47	25
Community service program cost in excess of reimbursement:		
Information and Referral Assistance Program	117	102
Telephone Reassurance Program	210	183
ADHC	426	299
Total	$ 842	$ 626
Community service program operating statistics:		
Demonstration Home people toured	83	49
Information and Referral Assistance calls	1,809	2,241
Telephone Reassurance Program:		
Telephone calls	80,556	88,926
Home visits	2,388	1,583
ADHC client days	8,450	9,677

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Eskaton and Subsidiaries

December 31, 2013

MOSS-ADAMS LLP

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
Eskaton and Subsidiaries

We have audited the accompanying financial statements of Eskaton and Subsidiaries, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Eskaton and Subsidiaries as of and for the year ended December 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Eskaton and Subsidiaries on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Praxity

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Statement of Cash Flows – Direct Method; Supplementary Form 5-1 & Form 5-2, Reconciliation to Audit Report; Supplementary Form 5-4, Reconciliation to Audit Report; Supplementary Form 5-4, Calculation of Net Operating Expenses; Supplementary Form 5-5, Description of Reserves under SB 1212; and Supplementary Form 5-5, ALTU – Composition of Assets; presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Eskaton and Subsidiaries and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
April 24, 2014

FORM 1-1
RESIDENT POPULATION

Continuing Care Residents

[1]	Number at beginning of fiscal year	37
[2]	Number at end of fiscal year	39
[3]	Total Lines 1 and 2	77
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .5
[5]	Mean number of continuing care residents	38

All Residents

[6]	Number at beginning of fiscal year	38
[7]	Number at end of fiscal year	41
[8]	Total Lines 6 and 7	80
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .5
[10]	Mean number of *all* residents	40
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (rounded to two decimal places).	0.9

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service-interest only)		21,157,000
[a]	Depreciation	2,960,000	
[b]	Debt Service (Interest Only)	1,873,000	
[2]	Subtotal (add Line 1a and 1b)		4,833,000
[3]	Subtract Line 2 from Line 1 and enter result		16,324,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0.96
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		15,671,000
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		15,671

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ESKATON
Calculation of Nonresident Reimbursement
December 31, 2013

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/12	305	42	29	376
Contract Residents @ 12/31/13	328	47	23	398
Total	633	89	52	774
Mean	317	45	26	387
All Residents @ 12/31/12	305	49	35	389
All Residents @ 12/31/13	328	55	35	418
Total	633	104	70	807
Mean	317	52	35	404
% Contract Residents to Total Residents	100.00%	85.58%	74.29%	95.91%
% Nonresidents to Total Residents	0.00%	14.42%	25.71%	4.09%

2013 OPERATING REVENUES

Assisted Living (Contract Residents)		2,644,000	
Assisted Living (Nonresidents)		**446,000**	
Less: Bad Debt Expense		-	
Net Assisted Living (Nonresidents)		**446,000**	
Total		3,090,000	
Skilled Nursing (Contract Residents)			3,474,000
Skilled Nursing (Nonresidents)			**1,202,000**
Less: Bad Debt Expense			-
Net Skilled Nursing (Nonresidents)			**1,202,000**
Total Skilled Nursing (without Bad Debt adj)			4,676,000
Total NonResidents Revenues	**1,648,000**		

FORM 5-1
LONG-TERM DEBT INCURRED
IN PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1		See attachment	to Form 5-1		
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 2,688,000	$ 2,900,000	$ 213,000	$ 5,801,000

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Eskaton

ATTACHMENT TO FORM 5-1
LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	3/29/2002	$ 94,000	$ 108,000		$ 202,000
2	12/21/2006	420,000	267,000		687,000
3	4/1/2008	850,000	83,000	213,000	1,146,000
4	3/31/2011	175,000	302,000		477,000
5	12/31/2012	151,000	289,000		440,000
6	12/31/2012	998,000	1,851,000		2,849,000
7					
8					
9					
10					
11					
12					
13					
14					
	TOTAL:	$2,688,000	$2,900,000	$213,000	$5,801,000

PROVIDER: Eskaton

FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	5/21/2013	$1,137,000	$296,000	12	$3,552,000
2	12/19/2013	$51,000	$29,000	12	$348,000
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 1,188,000	$ 325,000	12	$ 3,900,000

(Transfer this amount to Form 5-3, Line 2)

NOTE: Principal payments on 11/15/2013 in the amount of $1,989,000.

PROVIDER: Eskaton

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ 5,801,000
2	Total from Form 5-2 bottom of Column (e)	$ 3,900,000
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$ -
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$ 9,701,000

PROVIDER: Eskaton

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$ 21,157,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 1,873,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ 56,000	
	c.	Depreciation	$ 2,960,000	
	d.	Amortization	$ 65,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ 1,819,000	
	f.	Extraordinary expenses approved by the Department	$ -	
3		Total Deductions		$ 6,773,000
4		Net Operating Expenses		$ 14,384,000
5		Divide Line 4 by 365 and enter the result.		$ 40,000
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve		$ 3,000,000

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ESKATON AND SUBSIDIARIES
FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton
Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	$ 9,701,000
[2]	Operating Expense Reserve Amount	$ 3,000,000
[3]	**Total Liquid Reserve Amount:**	$ 12,701,000

Qualifying assets sufficient to fulfill the above requirements are held as follows:

	Qualifying Asset Description	Amount Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$ 2,573,000		$ 9,409,000
[5]	Investment Securities	$ -		$ 3,412,000
[6]	Equity Securities	$ -		$ 36,870,000
[7]	Unused/Available Lines of Credit	$ -		$ -
[8]	Unused/Available Letters of Credit	$ -		$ -
[9]	Debt Service Reserve	$ 8,317,000		(not applicable)
[10]	Other: (describe qualifying asset)			$ 7,508,000
	Total Amount of Qualifying Assets	$ 10,890,000	[12]	$ 57,199,000
	Reserve Obligation Amount: [13]	$ 9,701,000	[14]	$ 3,000,000
	Surplus/(Deficiency): [15]	$ 1,189,000	[16]	$ 54,199,000

Signature: Todd Murch
(Authorized Representative)

Date: April 24, 2014

Chief Executive Officer
(Title)

SUPPLEMENTARY SCHEDULES

ESKATON VILLAGE CARMICHAEL
STATEMENT OF CASH FLOWS – DIRECT METHOD
DECEMBER 31, 2013
(IN THOUSANDS)

Cash flows from operating activities:		
Cash received from independent residents	$	14,185
Cash received from ALU contract residents		2,604
Cash received from SNF contract residents		3,420
Cash received from non-contract residents		1,622
Cash received from guest services		171
Cash received from other revenue		6,636
Cash paid for interest (net of financing fees)		(1,873)
Cash paid to suppliers and employees		(15,859)
Net cash provided by operating activities		10,906
Cash flows from investing activities:		
Purchases of assets limited as to use		(40,317)
Proceeds from sale of assets limited as to use		43,648
Purchases of investments		(188)
Proceeds from sale of investments		518
Expenditures for capital maintenance		(5,700)
Net cash used in investing activities		(2,039)
Cash flows from financing activities:		
Proceeds from appreciation on resold CCRC memberships		(6,275)
Change in deposits on unoccupied CCRC units		105
Principal payments on long-term debt		(1,222)
Debt issuance costs		(87)
Change in due from related party - current year cash flow		(1,388)
Net cash provided by financing activities		(8,867)
Net change in cash		-
Cash and cash equivalents at December 31, 2012		2
Cash and cash equivalents at December 31, 2013	$	2

Interest paid during fiscal year (per financial schedules)		$ 4,957,000
Less:		
Finance fees - 2006 bonds	6,000	
Finance fees - 2007 EVP bonds	6,000	
Finance fees - 2007 ELGB bonds	187,000	
Finance fees - 2008A bonds	243,000	
Finance fees - 2008B bonds	403,000	
Finance fees - 2012 bonds	15,000	
Finance fees - 2013 bonds	9,000	
Total interest expense adjustment		869,000
Total long term interest paid during the year ended December 31, 2013		$ 4,088,000

Form 5-1

Total column (c) interest paid during fiscal year	$ 2,900,000

Form 5-2

Total column (b) interest paid during fiscal year	1,188,000
Less:	
Capitalized interest	-
Total long term interest paid during the year ended December 31, 2013	$ 4,088,000

Principal payments made during fiscal year (per Cash Flow)	$ 59,573,000
Less: refunded debt	(54,896,000)
Total principal payments made for the year ended December 31, 2013	$ 4,677,000
Form 5-1	
Total column (b) principal paid during fiscal year	$ 2,688,000
Form 5-2	
Note #1 principal paid on debt incurred during fiscal year	1,989,000
Total principal payments made for the year ended December 31, 2013	$ 4,677,000

Interest Paid During Fiscal Year (per financial schedules)		$ 1,952,000
Less:		
Finance fees - 2008A Bonds	64,000	
Finance fees - 2012 Bonds	15,000	
		79,000
Total long term interest paid during the year ended December 31, 2013		$ 1,873,000

ESKATON VILLAGE CARMICHAEL
SUPPLEMENTARY FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
DECEMBER 31, 2013

Total Resident Revenue	$ 23,675,000
Less: Reimbursements for services to residents	21,856,000
Reimbursements for services to non-residents	$ 1,819,000
Assisted Living services to non-residents	$ 446,000
Skilled Nursing services to non-residents	1,202,000
Guest Meals	133,000
Guest Room Meals	38,000
Reimbursements for services to non-residents	$ 1,819,000

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY FORM 5-5
DESCRIPTION OF RESERVES UNDER SB 1212

Total Qualifying Assets as Filed:		
Cash and cash equivalents	$ 9,409,000	Cash and short-term investments
Equity securities	36,870,000	Equity securities and mutual funds
Fixed income securities	3,412,000	Government securities and corporate debt
Alternative investments	7,508,000	Other
Total qualifying assets as filed for operating reserve	57,199,000	
Cash and cash equivalents for debt service reserve	2,573,000	Cash and short-term investments
Total qualifying assets as filed	59,772,000	
Reservations and designations:		
Workers' compensation	9,166,000	Self-insured Workers' Compensation Plan
Deposits	365,000	Refundable deposits
Tail exposure - professional liability insurance	1,335,000	Claims-made professional liability insurance
Eskaton health plan	1,372,000	Self-insured Employee Health Plan
Unfunded pension obligation	2,045,000	Defined benefit cash balance pension plan
Refundable CCRC entrance fees	1,016,000	Refundable CCRC Entrance Fees
Remaining liquid reserves	$ 44,473,000	

ALATU – COMPOSITION OF ASSETS
DECEMBER 31, 2013

	Total	Cash and ST Investments	U.S. Treasury Government Security and Corporate Debt	Equity Sec's	Mutual Funds
2012 Bonds	$ 3,832,000	$ 891,000	$ 2,941,000	$ -	$ -
2013 Bonds	4,485,000	828,000	3,657,000	-	-
TOTAL DEBT SERVICE RESERVE	8,317,000	1,719,000	6,598,000	-	-
Restricted FHA Loan Reserves	135,000	135,000	-	-	-
EVC Project Fund	4,193,000	3,422,000	771,000	-	-
TOTAL RESERVES AND COLLATERAL IN ALATU	$ 12,645,000	$ 5,276,000	$ 7,369,000	$ -	$ -
TOTAL DEBT SERVICE RESERVE	$ 8,317,000				
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	2,573,000				
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE	$ 10,890,000				

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	3,204 – 4,914	4,333 – 7,584	9,270 – 11,040
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	4.0%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: 01/01/13
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Eskaton
COMMUNITY: Eskaton Village-Carmichael

ATTACHMENT TO FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES
EXPLANATION FOR INCREASE IN MONTHLY SERVICE FEES

Monthly service fees were increased in 2013 by 4.0% to offset expected increases in costs for labor, food, supplies, contractor support, etc.. There were also higher expected increases in the cost of workers' compensation.

PROVIDER NAME: Eskaton
COMMUNITY NAME: Eskaton Village - Carmichael

ESKATON VILLAGE
STATEMENT OF RECEIPTS AND DISBURSEMENTS WORKSHEET
12/31/2013
(in thousands)

	Per Audited Stmt of Operations	Adjustments Dr.	Cr.	Cash Basis
Revenues:				
Net Independent resident revenue net of prov for Bad Debt)	15,908	749	500	15,659
deposits on unoccupied units			105	105
Amortization of Deferred revenue		1,579	-	(1,579)
Net ALU contract resident revenue net of prov for Bad Debt)	2,645	124	83	2,604
Net SNF contract resident revenue net of prov for Bad Debt)	3,474	163	109	3,420
Net ALU non-contract resident revenue net of prov for Bad Debt)	446	21	14	439
Net SNF non-contract resident revenue net of prov for Bad Debt)	1,202	57	38	1,183
Sub-total	23,675			21,831
Reimbursements for services to non-residents	171			171
Unrestricted contributions	-			-
Other operating revenue	1,018	1,202	6,820	6,636
Sub-total	1,189			
Investment income used for capital purchases	-			
Other Investment income (net of unrealized)	696	696		0
Sub-total	696			0
Change in unrealized gains	-			-
Other non operating income	(65)		65	-
Restricted Contributions	-			-
Change in temporarily restricted net assets	-			-
Change in fair value of derivative activities	-			-
Net assets released from restriction used for operations				-
Total Revenue	25,495	4,591	7,734	28,638
Expenses :				
Salaries and wages	5,933	439	491	5,881
Employee benefits	1,991			1,991
Professional Fees	71			71
Supplies	240	47	47	240
Purchased services	5,536	397	624	5,309
Ancillary costs	437			437
Utilities	1,402			1,402
Insurance & Other	878	164	273	769
Depreciation and amortization	2,960		2,960	-
Interest	1,702	239	309	1,632
Swap payments/receipts	-			-
Other Financing Fees	-			-
				-
Provision for (reversal of) uncollectible accounts	7		7	-
Total Expense	21,157	1,286	4,711	17,732
	21,157			
Total of Cash Operating Expenses				17,732
Net Cash Provided By Operating Activities	4,338			**10,906**

ESKATON VILLAGE CARMICHAEL ASSISTED LIVING - FY 2013 BUDGET

ROUTINE REVENUE - ASSISTED LIVING

Line Ref.	Account Number				31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
		Number of Units Available															
		One Bedroom			7	7	7	7	7	7	7	7	7	7	7	7	
		Studio			31	31	31	31	31	31	31	31	31	31	31	31	
		Total Units Available			38	38	38	38	38	38	38	38	38	38	38	38	
		Number of Units Occupied															
		One Bedroom			6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	
		Studio			30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	
		Total Units Occupied			37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	
		Percent Occupancy			97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	97.37%	
		Resident Day Payor Type Percentage															
		Private Pay			62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	62.16%	
		Met Life			32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	32.43%	
					94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	94.59%	
		Resident Day By Payor Type	*(@ 7/1/12)*	**# Units**													
		Private Pay	22	23.0	713	644	713	690	713	690	713	713	690	713	690	713	8,395
		Met Life - Standard Option	10	12.0	372	336	372	360	372	360	372	372	360	372	360	372	4,380
		Met Life - High Option	2	2.0	62	56	62	60	62	60	62	62	60	62	60	62	730
		Extra days due to Respite			-	-	-	-	-	-	-	-	-	-	-	-	-
		Extra days due to Flexible Respite			-	-	-	-	-	-	-	-	-	-	-	-	-
			34	37.0	1,147	1,036	1,147	1,110	1,147	1,110	1,147	1,147	1,110	1,147	1,110	1,147	13,505
		Room Rates	***2012***	***Increase***													
		One Bedroom	$ 4,978	4.00%	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	$ 5,177	
		Studio	$ 4,166	4.00%	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	$ 4,333	
		Average Monthly Unit Rate			$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	$ 4,488	
	2012	***Daily Rates***	***Increase***														
	$ 180	Respite	4.00%		$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	
	$ -	Flexible Respite	4.00%		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		Gross Revenue by Payor Type															
		Private Pay			(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(1,803,384)
		Met Life - Standard Option	Per day: $	20	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(13,536)	(162,432)
		Met Life - High Option	Per day: $	28	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(2,256)	(27,072)
		Total Gross Revenue			(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(1,992,888)
		Combined Routine Revenues															
	02-3001-000	Monthly Service Fees			(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(150,282)	(1,803,384)
	02-3001-010	Respite Care			-	-	-	-	-	-	-	-	-	-	-	-	-
	02-3001-020	Flexible Respite			-	-	-	-	-	-	-	-	-	-	-	-	-
	02-3001-030	Met Life Revenue			(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(15,792)	(189,504)
1		Total Routine Revenues			(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(166,074)	(1,992,888)

03-3111	CERTIFIED DISTINCT PART

ESKATON VILLAGE CARMICHAEL SKILLED NURSING - FY 2013 BUDGET

Line Ref.	Account Number				31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
		Number of Beds Available															
		Private Room			6	6	6	6	6	6	6	6	6	6	6	6	
		Semi-Private Room			29	29	29	29	29	29	29	29	29	29	29	29	
					35	35	35	35	35	35	35	35	35	35	35	35	
		Number of Beds Occupied															
		Private Room			6	6	6	6	6	6	6	6	6	6	6	6	
		Semi-Private Room			28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	
					34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	
		Percent Occupancy			98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	98.29%	
		Patient Day Payor Type Percentage															
		Private Pay			57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	57.56%	
		Managed Care			4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	
		Medicare			4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	4.94%	
		Medi-Cal			2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	
		Met Life			29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	29.94%	
		Total Percentage			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
		Patient Day By Payor Type	*(YTD 7/1/12)*	***# Units***													
		Private Pay	22.49	19.80	614	554	614	594	614	594	614	614	594	614	594	614	7,248
		Managed Care	2.60	1.60	50	45	50	48	50	48	50	50	48	50	48	50	589
		Medicare	1.13	1.70	53	48	53	51	53	51	53	53	51	53	51	53	625
		Medi-Cal	-	1.00	31	28	31	30	31	30	31	31	30	31	30	31	366
		Met Life	8.39	10.30	319	288	319	309	319	309	319	319	309	319	309	319	3,767
		Total Patient Days	34.60	34.40	1,067	963	1,067	1,032	1,067	1,032	1,067	1,067	1,032	1,067	1,032	1,067	12,594
		Room Rates	***2012***	***Increase***													
		Private Room	$ 354.00	4.00%	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	$ 368.00	
		Semi-Private Room	$ 297.00	4.00%	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	$ 309.00	
		Routine Revenue															
		Private Room			(68,448)	(61,824)	(68,448)	(66,240)	(68,448)	(66,240)	(68,448)	(68,448)	(66,240)	(68,448)	(66,240)	(68,448)	(805,920)
		Semi-Private Room			(272,044)	(245,717)	(272,044)	(263,268)	(272,044)	(263,268)	(272,044)	(272,044)	(263,268)	(272,044)	(263,268)	(272,044)	(3,203,097)
					(340,492)	(307,541)	(340,492)	(329,508)	(340,492)	(329,508)	(340,492)	(340,492)	(329,508)	(340,492)	(329,508)	(340,492)	(4,009,017)
		Gross Revenue by Payor Type															
	03-3111-000	Private Pay			(195,980)	(177,014)	(195,980)	(189,658)	(195,980)	(189,658)	(195,980)	(195,980)	(189,658)	(195,980)	(189,658)	(195,980)	(2,307,506)
	03-3111-010	Managed Care			(15,836)	(14,304)	(15,836)	(15,325)	(15,836)	(15,325)	(15,836)	(15,836)	(15,325)	(15,836)	(15,325)	(15,836)	(186,456)
	03-3111-040	Medicare			(16,827)	(15,199)	(16,827)	(16,284)	(16,827)	(16,284)	(16,827)	(16,827)	(16,284)	(16,827)	(16,284)	(16,827)	(198,124)
	03-3111-050	Medi-Cal			(9,898)	(8,940)	(9,898)	(9,579)	(9,898)	(9,579)	(9,898)	(9,898)	(9,579)	(9,898)	(9,579)	(9,898)	(116,542)
	03-3100-030	Met Life			(101,950)	(92,084)	(101,950)	(98,661)	(101,950)	(98,661)	(101,950)	(101,950)	(98,661)	(101,950)	(98,661)	(101,950)	(1,200,378)
1		Total Gross Revenue			(340,491)	(307,541)	(340,491)	(329,507)	(340,491)	(329,507)	(340,491)	(340,491)	(329,507)	(340,491)	(329,507)	(340,491)	(4,009,006)
		Contractual Allowances	***Jan-July Per Diem***	***Aug-Dec Per Diem***													
		Managed Care	$ 572.00	$ 572.00	(12,764)	(11,436)	(12,764)	(12,131)	(12,764)	(12,131)	(12,764)	(12,764)	(12,131)	(12,764)	(12,131)	(12,764)	(149,308)
		Medicare	$ 502.00	$ 502.00	(9,779)	(8,897)	(9,779)	(9,318)	(9,779)	(9,318)	(9,779)	(9,779)	(9,318)	(9,779)	(9,318)	(9,779)	(114,622)
		Medi-Cal	$ 224.49	$ 224.49	2,939	2,654	2,939	2,844	2,939	2,844	2,939	2,939	2,844	2,939	2,844	2,939	34,603
		Met Life	$ 175.34	$ 175.34	46,017	41,586	46,017	44,481	46,017	44,481	46,017	46,017	44,481	46,017	44,481	46,017	541,629
		Total Contractuals			26,413	23,907	26,413	25,876	26,413	25,876	26,413	26,413	25,876	26,413	25,876	26,413	312,302
		Net Revenue by Payor Type															
		Private Pay			(195,980)	(177,014)	(195,980)	(189,658)	(195,980)	(189,658)	(195,980)	(195,980)	(189,658)	(195,980)	(189,658)	(195,980)	(2,307,506)
		Managed Care			(28,600)	(25,740)	(28,600)	(27,456)	(28,600)	(27,456)	(28,600)	(28,600)	(27,456)	(28,600)	(27,456)	(28,600)	(335,764)
		Medicare			(26,606)	(24,096)	(26,606)	(25,602)	(26,606)	(25,602)	(26,606)	(26,606)	(25,602)	(26,606)	(25,602)	(26,606)	(312,746)
		Medi-Cal			(6,959)	(6,286)	(6,959)	(6,735)	(6,959)	(6,735)	(6,959)	(6,959)	(6,735)	(6,959)	(6,735)	(6,959)	(81,939)
		Met Life			(55,933)	(50,498)	(55,933)	(54,180)	(55,933)	(54,180)	(55,933)	(55,933)	(54,180)	(55,933)	(54,180)	(55,933)	(658,749)
		Total Net Revenue			(314,078)	(283,634)	(314,078)	(303,631)	(314,078)	(303,631)	(314,078)	(314,078)	(303,631)	(314,078)	(303,631)	(314,078)	(3,696,704)
		Bad Debt	***Monthly***														
15	03-7700-700	Coverage for Private Bad Debt	$ 300		300	300	300	300	300	300	300	300	300	300	300	300	3,600

ESKATON VILLAGE - CARMICHAEL

FINAL

MONTHLY MAINTENANCE FEE SCHEDULE (W/O METLIFE)

Final - 10/31/2012

	Units	Number of Units	1992 & Prior Fee	1993 Monthly Fee	1994 Monthly Fee	1995 Monthly Fee	1996 Monthly Fee	1997 Monthly Fee	1998 Monthly Fee	1999 Monthly Fee	2000 Monthly Fee	2001 Monthly Fee	2002 Monthly Fee
				5.7% Increase	7.4% Increase	11.3% Increase	6.7% Increase	8.7% Increase	6.5% Increase	2.0% Increase	2.0% Increase	5.75% Increase	3.75% Increase
Apartments:													
B	One bedroom, one bath	5	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062
BM	One bedroom, one bath	17	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062
BN	One bedroom, one bath	1	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062
C	One bedroom, one bath	23	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226
CM	One bedroom, one bath	7	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226
CL	One bedroom, one bath	8	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226
D	One bedroom, den, 1-1/2 baths	24	1,338	1,416	1,521	1,694	1,809	1,967	2,095	2,137	2,180	2,305	2,391
E	Two bedrooms, two baths	20	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557
EM	Two bedrooms, two baths	12	1,488	1,573	1,680	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633
F	Two bedrooms, two baths	29	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557
G	Two bedrooms, two baths	11	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935
GM	Two bedrooms, two baths	1	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935
H	Two bedrooms, two baths	13	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935
J	Two bedroom, den, two baths	14	1,738	1,836	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085
N	Two bedroom, den, two baths	11	1,738	1,836	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085
P	Two bedroom, den, two baths	1	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557
P	Two bedroom, den, two baths	4	1,743	1,841	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085
Cottages:													
K	One bedroom, one bath	5	1,488	1,573	1,680	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633
L	Two bedroom, two baths	49	1,638	1,731	1,858	2,065	2,202	2,391	2,545	2,596	2,648	2,800	2,905
M	Three bedroom, two baths	24	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,824	2,881	3,047	3,161
MM	Three bedroom, two baths	16	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,824	2,881	3,047	3,161
		295											
	Second Person Fee		238	288	288	388	438	497	538	549	560	655	679

	2003 Monthly Fee	2004 Monthly Fee	2005 Monthly Fee	2006 Monthly Fee	2007 Monthly Fee	2008 Monthly Fee	2009 Monthly Fee	2010 Monthly Fee	2011 Monthly Fee	2012 Monthly Fee	2013 Monthly Fee	Cumulative 2013 Monthly Fee
	5.00% Increase	5.00% Increase	5.00% Increase	4.25% Increase	4.50% Increase	4.00% Increase	4.75% Increase	2.75% Increase	2.80% Increase	3.00% Increase	4.00% Increase	
Apartments:												
B	2,165	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	3,081	3,204	16,020
BM	2,165	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	3,081	3,204	54,468
BN	2,165	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,204
C	2,337	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	3,328	3,461	79,603
CM	2,337	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	3,328	3,461	24,227
CL	2,337	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	3,328	3,461	27,688
D	2,511	2,637	2,768	2,886	3,016	3,137	3,286	3,376	3,471	3,575	3,718	89,232
E	2,685	2,819	2,960	3,086	3,225	3,354	3,513	3,610	3,711	3,822	3,975	79,500
EM	2,765	2,903	3,048	3,178	3,321	3,454	3,618	3,717	3,821	3,936	4,093	49,116
F	2,685	2,819	2,960	3,086	3,225	3,354	3,513	3,610	3,711	3,822	3,975	115,275
G	3,081	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,387	4,562	50,182
GM	3,081	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,387	4,562	4,562
H	3,081	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,387	4,562	59,306
J	3,240	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	4,613	4,798	67,172
N	3,240	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	4,613	4,798	52,778
P	2,685	2,819	2,960	3,086	3,225	3,354	4,240	4,357	4,479	4,613	4,798	4,798
P	3,240	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	4,613	4,798	19,192
Cottages:												
K	2,765	2,903	3,048	3,178	3,321	3,454	3,618	3,717	3,821	3,936	4,093	20,465
L	3,050	3,203	3,363	3,506	3,664	3,811	3,992	4,102	4,217	4,344	4,518	221,382
M	3,319	3,485	3,659	3,814	3,987	4,146	4,343	4,462	4,587	4,725	4,914	117,936
MM	3,319	3,485	3,659	3,814	3,987	4,146	4,343	4,462	4,587	4,725	4,914	78,624
												4,186
Second Person Fee	713	749	786	820	857	891	933	959	986	1,016	1,016	244
												4,430

Continuing Care Retirement Community Disclosure Worksheet
General Information

RECEIVED
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CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Eskaton Village Carmichael

ADDRESS: 3939 Walnut Avenue ZIP CODE: 95608 PHONE: 916/974-2000

FACILITY OWNER: Eskaton FACILITY OPERATOR: Eskaton

RELATED FACILITIES: See attached RELIGIOUS AFFILIATION: N/A

YEAR OPENED: 1992 NO. OF ACRES: 37 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X

MILES TO SHOPPING CTR: one mile MILES TO HOSPITAL: MSJ four miles

NUMBER OF UNITS:

INDEPENDENT LIVING

APARTMENTS – STUDIO	0
APARTMENTS – 1 BDRM	85
APARTMENTS – 2 BDRM	116
COTTAGES/HOUSES	94
% OCCUPANCY AT YEAR END	98.6%

HEALTHCARE

ASSISTED LIVING	38
SKILLED NURSING	35
MEMORY CARE	20

DESCRIBE MEMORY CARE: Secured perimeter unit for care of residents with Alzheimer's or related dementia.

TYPE OF OWNERSHIP: X NOT FOR PROFIT ❑ FOR PROFIT **ACCREDITED:** X Y ❑ N BY: CCAC

FORM OF CONTRACT: ❑ LIFECARE X CONTINUING CARE X FEE FOR SERVICE

❑ ASSIGN ASSETS X EQUITY X ENTRY FEE ❑ RENTAL X MEMBERSHIP

REFUND PROVISIONS (Check all that apply): X 90% ❑ 75% ❑ 50 % X PRORATED TO 0% ❑ OTHER: ___

RANGE OF ENTRANCE FEES: $100,000 TO $350,000 **LONG-TERM CARE INSURANCE REQUIRED?** Y N X

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Priority access to ALU, SNF, & MCU (income eligible fee for service)

RESIDENT REPRESENTATIVE ON THE BOARD **(briefly describe their involvement):** **Please see attached disclosure worksheet.**

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER:

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	❑	X
BILLIARD ROOM	X	❑
BOWLING GREEN	❑	❑
CARD ROOMS	X	❑
CHAPEL	X	❑
COFFEE SHOP	❑	X
CRAFT ROOMS	X	❑
EXERCISE ROOM	X	❑
GOLF COURSE ACCESS	❑	❑
LIBRARY	X	❑
PUTTING GREEN	X	❑
SHUFFLEBOARD	❑	❑
SPA	X	❑
SWIMMING POOL- INDOOR	X	❑
SWIMMING POOL-OUTDOOR	❑	❑
TENNIS COURT	❑	❑
WORKSHOP	X	❑
OTHER - Painting Studio and Gardening Area	X	❑

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES PER MONTH	4	
NUMBER OF MEALS PER DAY	3	
SPECIAL DIETS AVAILABLE	X	❑
24 HOUR EMERGENCY RESPONSE	X	❑
ACTIVITIES PROGRAM	X	❑
ALL UTILITIES EXCEPT PHONE	X	❑
APARTMENT MAINTENANCE	X	❑
CABLE TV	X	❑
LINENS FURNISHED	X	❑
LINENS LAUNDERED	X	❑
MEDICATION MANAGEMENT	❑	X
NURSING/WELLNESS CLINIC	X	❑
PERSONAL NURSING/HOME CARE	❑	X
TRANSPORTATION-PERSONAL	❑	X
TRANSPORTATION-PREARRANGED	X	❑
OTHER - 24 hour security	X	❑

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
ESKATON

	2011	2012	2013	
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	106,044	111,314	112,787	
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	91,272	94,720	95,017	
NET INCOME FROM OPERATIONS	14,772	16,594	17,770	
LESS INTEREST EXPENSE	3,606	3,937	4,843	
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(7,179)	2,134	7,142	
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,987	14,791	20,069	
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	15	-	-	See Cash Flo

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATIC PERIOD
Series 2008A ABAG VRDB's	19,200,000	Variable	Apr-08	2029	21 years
Series 2006 ABAG VRDB's	19,015,000	Variable	Dec-06	2037	31 years
Series 2013 ABAG Fixed Rate Bonds	50,175,000	2% - 5%	Jun-13	2035	22 years
Series 2012 CSCDA Fixed Rate Bonds	36,950,000	2% - 5.25%	May-12	2034	22 years
Other (see attached)	28,241,000				

FINANCIAL RATIOS (see next page for ratio formulas)

	2003 CCAC Medians 50th percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO	41.50%	70.04%	68.88%	71.52%
OPERATING RATIO	102.94%	87.70%	88.63%	88.54%
DEBT SERVICE COVERAGE RATIO	2.64%	3.56	2.01	2.57
DAYS CASH-ON-HAND RATIO	201	236.40	199.90	218.48

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2011	%	2012	%	2013	%
STUDIO	N/A		N/A		N/A	
ONE BEDROOM	3,234	2.8%	3,331	3.0%	3,464	4.0%
TWO BEDROOM	4,032	2.8%	4,160	3.2%	4,326	4.0%
COTTAGE/HOUSE	4,353	2.8%	4,484	3.0%	4,664	4.0%
ASSISTED LIVING	4,191	3.0%	4,318	3.0%	4,488	4.0%
SKILLED NURSING	8,670	3.2%	8,910	2.8%	9,270	4.0%
SPECIAL CARE	5,791	0.0%	5,965	3.0%	6,203	4.0%

COMMENTS FROM PROVIDER:

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON

Long-Term Debt to Total Assets Ratio

	2009	2010	2011	2012	2013
Long-Term Debt	154,244	151,176	152,697	151,028	158,294
Less: Current Portion	(3,059)	(4,138)	(36,949)	(6,878)	(4,449)
	151,185	147,038	115,748	144,150	153,845
Divided By:					
Total Assets	205,376	207,435	210,588	209,290	215,113
Long-Term Debt to Total Assets Ratios	**73.61%**	**70.88%**	**54.96%**	**68.88%**	**71.52%**

Operating Ratio

	2009	2010	2011	2012	2013
Total Operating Expenses	96,189	99,751	104,027	108,259	109,213
Less: Depreciation & Amortization	(8,484)	(8,592)	(9,149)	(9,602)	(9,353)
	87,705	91,159	94,878	98,657	99,860
Divided By:					
Total Operating Revenues	99,732	106,068	108,176	113,446	114,354
Less: Amortization of Deferred Revenue	(2,118)	(2,129)	(2,132)	(2,132)	(1,567)
	97,614	103,939	106,044	111,314	112,787
Operating Ratio	**89.85%**	**87.70%**	**89.47%**	**88.63%**	**88.54%**

Debt Service Coverage Ratio

	2009	2010	2011	2012	2013
Total Excess of Revenues over Expenses	17,544	3,457	(3,030)	7,321	12,283
Plus: Interest & amortization	3,846	3,915	3,606	4,398	5,174
Depreciation	8,484	8,592	9,149	9,141	9,022
Net Proceeds from Entrance Fees	277	49	15	-	-
Less: Amortization of Deferred Revenue	(2,118)	(2,129)	(2,132)	(2,132)	(1,567)
	28,033	13,884	7,608	18,728	24,912
Divided By:					
Annual Debt Service	4,157	3,899	5,284	9,321	9,701
Debt Service Coverage Ratio	**6.74**	**3.56**	**1.44**	**2.01**	**2.57**

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON

Statement 4

Days Cash On Hand Ratio

	2009	2010	2011	2012	2013
Cash & Cash Equivalents	14,506	16,409	16,819	7,703	10,055
Investments	38,194	42,631	42,116	46,179	49,717
Unrestricted Cash & Investments	52,700	59,040	58,935	53,882	59,772
Divided By:					
Operating Expenses	96,189	99,751	104,027	108,259	109,213
Less: Depreciation & Amortization	(8,484)	(8,592)	(9,149)	(9,602)	(9,353)
	87,705	91,159	94,878	98,657	99,860
Divided By:	365	365	365	366	365
Operating Expenses per Day	240.29	249.75	259.94	269.55	273.58
Days Cash On Hand Ratio	**219**	**236**	**227**	**200**	**218**

Statement 4
Disclosure Worksheet Attachment
Additional Secured Debt

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Wells Fargo Bank	2,845,000	4.75%	Oct-08	2021	25 years
Red Mortgage Capital, LLC	8,812,000	2.45%	Nov-12	2047	35 years
Bank of America	11,270,000	Variable	Dec-13	2016	24 years
Five Star Bank	5,314,000	Variable	Mar-11	2017	20 years
Total	28,241,000				

Eskaton
Statement 4 Supporting Calculations
Consolidated $000's

	2011	2012	2013
Net patient revenues	44,655	48,899	47,991
Net resident revenues	53,975	55,630	58,402
Less amort of entrance fees	(2,132)	(2,132)	(1,567)
Other	9,546	8,917	7,961
Income from ongoing operations	**106,044**	**111,314**	**112,787**
Total expenses	104,027	108,259	109,213
Less depreciation and amortization	(9,149)	(9,602)	(9,353)
Less Interest	(3,606)	(3,937)	(4,843)
Operating expenses	**91,272**	**94,720**	**95,017**
Net income from operations	**14,772**	**16,594**	**17,770**
Interest expense	**(3,606)**	**(3,937)**	**(4,843)**
Non Operating Income	**(7,179)**	**2,134**	**7,142**
NI before entrance fees, depr and amort	**3,987**	**14,791**	**20,069**

ESKATON
ESKATON VILLAGE – CARMICHAEL
ATTACHMENT TO DISCLOSURE WORKSHEET

Page 1: RESIDENT REPRESENTATIVE ON THE BOARD: The Eskaton Village Carmichael Resident Council (EVC Resident Council) elects a representative to the Eskaton Board of Directors (CCRC Representative) to serve a two year term. The CCRC Representative attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Representative is excluded only from executive sessions of the Eskaton Board. The CCRC Representative reports Eskaton Board actions and discussions back to the EVC Resident Council.

KEY INDICATORS REPORT

ESKATON, INC.

Date Prepared: 5/23/2014

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

Bill Pace

Chief Financial Officer Signature

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CONTINUING CARE
CONTRACTS BRANCH

	2009	2010	2011	2012	2013	Projected 2014	Forecast 2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	See Attached Schedule										N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%) *	29.25%	31.27%	30.37%	29.24%	29.22%	29.46%	29.46%	29.46%	29.46%	29.46%	↑
3. Net Operating Margin - Adjusted (%) *	31.64%	32.15%	30.42%	29.24%	29.22%	29.46%	29.46%	29.45%	29.46%	29.46%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$49,559	$55,566	$49,559	$55,566	$53,986	$52,155	$57,359	$59,971	$62,662	$65,433	↑
5. Days Cash on Hand (Unrestricted)	250.23	276.70	250.23	276.70	248.26	218.19	238.45	242.04	245.54	248.93	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000) *	$23,653	$21,790	$21,790	$19,704	$17,587	$14,995	$12,860	$10,726	$8,596	$6,464	N/A
7. Net Annual E/F proceeds ($000) *	$718	$276	$276	$49	$14	$0	$0	$0	$0	$0	N/A
8. Unrestricted Net Assets ($000)	-$18,110	-$24,790	-$19,234	-$11,953	-$13,037	-$17,058	-$1,461	-$5,004	-$8,718	-$12,607	N/A
9. Annual Capital Asset Expenditure ($000)	$3,011	$3,332	$3,037	$5,293	$9,627	$5,564	$5,564	$5,564	$5,564	$5,564	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	2.52	3.56	0.93	(0.16)	2.62	0.65	0.62	0.64	0.62	0.61	↓
11. Annual Debt Service Coverage (x)	1.32	2.57	2.42	2.73	2.62	0.65	0.62	0.64	0.62	0.61	↓
12. Annual Debt Service/Revenue (%)	19.87%	5.98%	7.29%	6.05%	7.99%	8.03%	8.35%	8.10%	8.46%	8.52%	↓
13. Average Annual Effective Interest Rate (%)	7.09%	2.49%	1.78%	2.53%	2.93%	3.12%	3.26%	3.47%	3.66%	3.89%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	34.03%	42.43%	48.96%	40.11%	40.95%	43.79%	46.95%	50.30%	54.08%	58.25%	↑
15. Average Age of Facility (years) *	14.04	14.51	15.09	17.35	18.75	17.21	18.21	19.21	20.21	21.21	↓

NUMBERS MARKED WITH AN ASTERICK ARE VILLAGE CARMICHAEL ONLY. ALL OTHER NUMBERS ARE OBLIGATED GROUP NUMBERS.

Key Indicator Report - Occupancy By Facility
Eskaton

	2009	2010	2011	2012	2013	Budget 2014	2015	2016	2017	2018
Care Center Manzanita	94%	92%	93%	93%	86%	94%	94%	94%	94%	94%
Care Center Fair Oaks	93%	93%	96%	97%	99%	94%	94%	94%	94%	94%
Care Center Greenhaven	93%	93%	93%	95%	98%	93%	93%	93%	93%	93%
Monroe Lodge	93%	80%	86%	84%	95%	86%	86%	86%	86%	86%
Henson Manor	97%	90%	79%	99%	91%	93%	93%	93%	93%	93%
Cameron Park Lodge	94%	81%	75%	82%	80%	92%	92%	92%	92%	92%
Granite Bay Lodge	93%	85%	89%	97%	97%	93%	93%	93%	93%	93%
Village Carmichael	99%	98%	99%	97%	90%	99%	99%	99%	99%	99%
Village Grass Valley	93%	83%	82%	82%	80%	88%	88%	88%	88%	88%
Gold River Lodge	94%	83%	77%	74%	74%	85%	85%	85%	85%	85%
Village Roseville				78%	92%	92%	92%	92%	92%	92%